

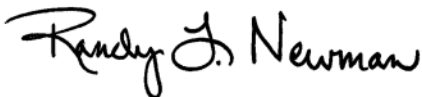
**ALERUS FINANCIAL CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 6, 2019**

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Alerus Financial Corporation (the “**Corporation**”) will be held at the Alerus Center, located at 1200 42nd Street South, Grand Forks, North Dakota, on Monday, May 6, 2019, at 1:30 p.m., local time, for the following purposes:

1. to elect eight directors of the Corporation;
2. to approve the Third Amended and Restated Certificate of Incorporation of the Corporation;
3. to approve the Alerus Financial Corporation 2019 Equity Incentive Plan;
4. to ratify the appointment of CliftonLarsonAllen LLP as the independent public accounting firm for the Corporation for the fiscal year ending December 31, 2019; and
5. to transact such other business as may properly be brought before the annual meeting or any adjournments or postponements of the meeting.

Only stockholders of record at the close of business on March 7, 2019 will be entitled to notice of, and to vote at, the annual meeting. If there are an insufficient number of votes for a quorum, the meeting may be adjourned or postponed to permit us to continue to solicit proxies.

By Order of the Board of Directors



Randy L. Newman
President, CEO, and Chairman
Grand Forks, North Dakota
March 18, 2019

**YOUR VOTE IS VERY IMPORTANT. PLEASE EXERCISE YOUR STOCKHOLDER
RIGHT TO VOTE, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE
ANNUAL MEETING**

ALERUS FINANCIAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

MAY 6, 2019

This proxy statement (this “**Proxy Statement**”) is furnished in connection with the solicitation by the board of directors (the “**Board**”) of Alerus Financial Corporation (the “**Corporation**”) of proxies to be voted at the annual meeting of stockholders (the “**Annual Meeting**”) to be held at the Alerus Center, located at 1200 42nd Street South, Grand Forks, North Dakota, on Monday, May 6, 2019, at 1:30 p.m., local time, and at any adjournments or postponements of the Annual Meeting.

The Corporation, a Delaware corporation headquartered in Grand Forks, North Dakota, is the holding company for Alerus Financial, National Association, a national bank with its main office also located in Grand Forks, North Dakota (the “**Bank**”). The Bank offers business and consumer banking products and services, residential mortgage financing, employer-sponsored retirement plan administration and employer sponsored services, including payroll, health savings accounts, flexible spending accounts, health reimbursement arrangements, and COBRA administration, and wealth management services, including trust, brokerage, executive insurance, and asset management. The Bank’s banking and wealth management offices are located in Grand Forks and Fargo, North Dakota, the Minneapolis-St. Paul, Minnesota metropolitan area, and Scottsdale and Mesa, Arizona. The Bank’s retirement and benefits division administers plans in all 50 states through offices located in St. Paul and Albert Lea, Minnesota, East Lansing and Troy, Michigan, and Manchester, New Hampshire.

The following is information regarding the Annual Meeting and voting process, presented in a question and answer format.

Why am I receiving this Proxy Statement and proxy card?

You are receiving this Proxy Statement and a proxy card from us because on March 7, 2019 (the “**Record Date**”), you owned shares of the Corporation’s common stock, \$1.00 par value per share (the “**Common Stock**”). This Proxy Statement describes the matters that will be presented for consideration by the stockholders at the Annual Meeting. It also gives you information concerning the matters to assist you in making an informed decision.

The Board is asking you to give us your proxy. Giving us your proxy means that you authorize another person or persons to vote your shares of Common Stock at the Annual Meeting in the manner you direct. If you vote using one of the methods described herein, you appoint the proxy holder as your representative at the meeting, who will vote your shares as you instruct, thereby assuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign and return your proxy card, or vote by internet or telephone, in advance of the meeting, just in case your plans change. If you have signed and returned the proxy card, or voted by internet or telephone, and an issue comes up for a vote at the meeting that is not identified on the form, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

What matters will be voted on at the Annual Meeting?

You are being asked to vote on: (1) the election of eight directors of the Corporation; (2) the approval of the Third Amended and Restated Certificate of Incorporation of the Corporation; (3) the approval of the Alerus Financial Corporation 2019 Equity Incentive Plan; and (4) the ratification of the appointment of CliftonLarsonAllen LLP as our independent public accounting firm for the 2019 fiscal year.

What are the Board's voting recommendations?

The Board recommends that you vote your shares "FOR" the election of each of the director nominees named in this Proxy Statement and "FOR" each of the other proposals described in this Proxy Statement.

If I am the record holder of my shares, how do I vote?

You may vote by mail, internet, or telephone, or in person at the Annual Meeting. To vote by mail, complete and sign the enclosed proxy card and mail it in the enclosed pre-addressed envelope. No postage is required if mailed in the United States. If you mark your proxy card to indicate how you want your shares voted, your shares will be voted as you instruct. If you sign and return your proxy card but do not mark the form to provide voting instructions, the shares represented by your proxy card will be voted "FOR" all eight director nominees and "FOR" each of the other proposals described in this Proxy Statement.

Although you may vote by mail, we ask that you vote instead by internet or telephone, which saves us postage and processing costs. You may vote by telephone by calling the toll-free number specified on your proxy card or by accessing the website specified on your proxy card and by following the preprinted instructions on the proxy card. If you submit your vote by internet, you may incur costs, such as cable, telephone and internet access charges. Votes submitted by telephone or internet must be received by 11:59 p.m., Eastern Time, on Sunday, May 5, 2019. The giving of a proxy by either of these means will not affect your right to vote in person if you decide to attend the meeting.

If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. **Please note, however, that if your shares are held in the name of a broker (or in what is usually referred to as "street name"), you will need to arrange to obtain a legal proxy from your broker in order to vote in person at the meeting.** Even if you plan to attend the meeting, you should complete, sign and return your proxy card, or vote by telephone or internet, in advance of the meeting just in case your plans change.

If I hold shares in the name of a broker, who votes my shares?

If you received this Proxy Statement from your broker, your broker should have given you instructions for directing how that person or entity should vote your shares. It will then be your broker's responsibility to vote your shares for you in the manner you direct. Please complete, execute and return the proxy card in the envelope provided by your broker.

Under the rules of various national and regional securities exchanges, brokers generally may vote on routine matters, such as the ratification of a company's independent public accounting firm, but may not vote on non-routine matters unless they have received voting instructions from the person for whom they are holding shares. Each of the matters described in this Proxy Statement

other than the ratification of the Corporation's independent public accounting firm, is considered a non-routine matter, and consequently, your broker will not have discretionary authority to vote your shares on that proposal. If your broker does not receive instructions from you on how to vote on any non-routine matters, your broker will return the proxy card to us indicating that he or she does not have the authority to vote. This is generally referred to as a "broker non-vote" and may affect the outcome of the voting on these matters.

We therefore encourage you to provide directions to your broker as to how you want your shares voted on each of the matters described in this Proxy Statement. You should do this by carefully following the instructions your broker gives you concerning its procedures. This ensures that your shares will be voted at the Annual Meeting.

A number of brokerage firms participate in a program that also permits stockholders to direct their vote by telephone or internet. If your shares are held in an account at such a brokerage firm, you may vote your shares by telephone or internet by following the instructions on the proxy card provided by your broker. If you submit your vote by internet, you may incur costs, such as cable, telephone and internet access charges. Voting your shares in this manner will not affect your right to vote in person if you decide to attend the meeting, however, you must first request a legal proxy either on the internet or the enclosed proxy card. Requesting a legal proxy prior to the deadline stated above will automatically cancel any voting directions you have previously given by internet or by telephone with respect to your shares.

What should I do if some or all of my shares are held by the Corporation's Employee Stock Ownership Plan?

If you hold shares of Common Stock as a participant in the Corporation's Employee Stock Ownership Plan (the "ESOP") you will be receiving this Proxy Statement, together with a confidential voting instruction form, from the trustee of the ESOP. You should submit your confidential voting instruction form directly to the trustee, who will vote the shares allocated to you in accordance with your direction. If no voting instructions are received by the ESOP trustee with respect to the shares allocated to you, the ESOP trustee will vote such shares in a manner that is consistent with and proportionate to the voting instructions received from those ESOP participants and beneficiaries who did provide voting direction. If you have any questions regarding these procedures, you should contact the ESOP trustee.

If you hold shares of Common Stock as a participant in the ESOP and shares of Common Stock outside of the ESOP, you should submit to the ESOP trustee a confidential voting instruction form with respect to the shares held through the ESOP and also submit a proxy to the Corporation for the shares held outside the ESOP.

What if I change my mind after I return my proxy?

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the Annual Meeting. You may do this by:

- signing another proxy card with a later date and returning that proxy card to American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, NY 11219;
- timely submitting another proxy via the telephone or internet; or
- voting in person at the meeting.

If you hold your shares in the name of your broker or the ESOP, and desire to change your vote, you will need to contact your broker or the trustee of the ESOP to do so.

How many votes do we need to hold the Annual Meeting?

A majority of the shares that are outstanding and entitled to vote as of the Record Date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business. Shares are counted as present at the meeting if the stockholder either:

- is present and votes in person at the meeting; or
- has properly submitted a signed proxy card or other proxy.

On the Record Date there were 14,088,549 shares of Common Stock issued and outstanding, which is the only class of voting stock of the Corporation outstanding. Only the holders of record of Common Stock at the close of business on the Record Date are entitled to receive notice of the Annual Meeting and to vote on such matters as may come before the Annual Meeting.

What happens if a director nominee is unable to stand for election?

The Board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. You cannot vote for more than eight director nominees. The Board has no reason to believe any nominee will be unable to stand for election.

How many votes may I cast?

Generally, you are entitled to cast one vote for each share of Common Stock you owned on the Record Date. The proxy card included with this Proxy Statement indicates the number of shares owned by an account attributable to you.

How many votes are needed for each proposal?

On Proposal 1 (Election of Directors), the eight individuals receiving the highest number of votes cast “for” their election will be elected as directors of the Corporation. In an uncontested election, all director nominees will be elected. Abstentions and broker non-votes, if any, will not affect the outcome of the election.

Proposal 2 (Approval of Third Amended and Restated Certificate of Incorporation) must receive the affirmative vote of the holders of not less than 75% of the shares of Common Stock outstanding on the Record Date. Abstentions and broker non-votes will have the same legal effect as a vote “against” this proposal. **Due to the high voting threshold required to approve this proposal, your vote is especially important this year.**

Proposal 3 (Approval of Alerus Financial Corporation 2019 Equity Incentive Plan) must receive the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same legal effect as a vote “against” this proposal, while broker non-votes, because they will not be counted as entitled to vote, will not affect the voting on this proposal.

Proposal 4 (Ratification of CliftonLarsonAllen LLP) must receive the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the Annual

Meeting and entitled to vote on the matter. Abstentions will have the same legal effect as a vote “against” this proposal, while broker non-votes, because they will not be counted as entitled to vote, will not affect the voting on this proposal.

Unless otherwise provided by law, or by the certificate of incorporation or bylaws of the Corporation, any other matter properly brought before the Annual Meeting or any adjournment thereof shall be decided by the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same legal effect as a vote “against” these matters, while broker non-votes, because they will not be counted as entitled to vote, will not affect the voting on such matters.

We will announce voting results at the meeting.

Are stockholders entitled to appraisal rights?

No. No holder of any class or series of our capital stock, including our Common Stock, is entitled to appraisal rights under Delaware law in connection with any of the proposals described in this Proxy Statement.

Who bears the cost of soliciting proxies?

We will bear the cost of soliciting proxies. In addition to solicitations by mail, officers, directors or employees of the Corporation or its subsidiary may solicit proxies in person or by telephone. These persons will not receive any special or additional compensation for soliciting proxies. We have also engaged D.F. King & Co., Inc. to assist with the solicitation of proxies for a fee of \$8,500 plus a per-call charge for contacting our stockholders and Broadridge Financial Solutions to assist in the delivery of proxy materials and establish and operate an online and telephonic voting platform and process. We may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

How can I receive my proxy materials electronically in the future?

We would prefer to send proxy materials to our stockholders electronically. Stockholders who sign up to receive proxy materials electronically will receive an e-mail prior to next year’s annual meeting of stockholders with links to the proxy materials, which may give them faster delivery of the materials and will help us save printing and mailing costs and conserve natural resources. Your election to receive proxy materials by e-mail will remain in effect until you terminate your election. To receive proxy materials electronically by e-mail in the future, follow the instructions provided on the proxy card.

Is the Corporation subject to corporate reforms applicable to publicly traded companies?

Regulators and the investment public have placed an increased emphasis on corporate governance and the manner in which boards of directors oversee companies. Because our Common Stock is not traded on a national securities exchange, we are not required to comply with many of the rules and regulations that are imposed on larger, publicly traded companies.

Moreover, banking regulators focus on the issue of corporate governance and have either implemented rules or issued guidance that affect many financial institutions. The banking industry

has always been subject to a greater degree of scrutiny than non-public companies in unregulated industries.

We have long believed that many of the governing principles that are imposed on public companies through rules and regulations are important. For this reason, and to the extent that we did not already have them in place, we have voluntarily incorporated many of them into the practices and policies of our Board and executive management. For instance, most of our Board is comprised of independent, outside directors. These independent directors help to oversee the different functions of our organization and we adopted policies to guard against conflicts of interest with our directors. We believe that strong corporate governance directly benefits stockholders and customers because they can have more confidence that our Corporation is being managed appropriately.

PROPOSAL 1

ELECTION OF DIRECTORS

General

The Corporation has one class of directors who serve for one-year terms or until their successors are elected and qualified. The Corporation's current certificate of incorporation provides that the Board will consist of a maximum of fifteen persons and a minimum of five persons, and the current bylaws provide that the number of directors may be fixed from time to time by the Board within the range set by the certificate of incorporation. By resolutions adopted by the Board, the number of directors of the Board is currently fixed at nine.

Harold A. Gershman, a director since 1989, informed the Board that he would not seek reelection for an additional term as a director of the Corporation, and accordingly, the Governance Committee did not re-nominate him for election at this year's meeting. As a result, his directorship will end at the Annual Meeting, and the Board intends to reduce the size of the Board from nine to eight directors following the Annual Meeting. The Board expresses its thanks to Mr. Gershman for his many years of dedicated service.

The Board, acting upon the recommendation of the Governance Committee, has nominated the following eight director nominees for election at the Annual Meeting, each to hold office for a one-year term expiring at the Annual Meeting of stockholders in 2019 or until a successor is elected and qualified: Randy L. Newman, Karen M. Bohn, Lloyd G. Case, Daniel E. Coughlin, Kevin D. Lemke, Michael S. Mathews, Sally J. Smith and Galen G. Vetter.

All of the director nominees are currently serving on the Board. There are no family relationships among the director nominees.

All of the director nominees have consented to serve. If for any reason any director-nominee becomes unavailable for election, the Board may designate a substitute director-nominee, in which event the shares represented by proxies returned to the Corporation will be voted for the substitute director-nominee, unless an instruction to the contrary is indicated on the proxy card.

A majority of the directors on the Board are considered to be "independent" directors. Independent directors basically are non-insiders whom the full Board has determined do not have other relationships with the Corporation that would prevent them from making objective, independent decisions.

Board Recommendation

The Board unanimously recommends a vote in favor of all of the director nominees.

Information About the Director Nominees

Listed below are the names of the director nominees which the Board recommends be elected as directors of the Corporation, together with their respective: ages; principal occupations; other directorships; and years of initial service as a director of the Corporation.

DIRECTOR NOMINEES			
NAME	BIOGRAPHY	AGE	DIRECTOR SINCE
Randy L. Newman Grand Forks, ND	President and director of Alerus Financial, N.A. since 1987. Vice-President and director of Alerus Financial Corporation (ALRS) 1988 - 1995. President, CEO & Chairman of Alerus Financial, N.A. and Alerus Financial Corporation (ALRS) since 1995. Served in various executive roles for Alerus Financial, N.A. and Alerus Financial Corporation, including CFO, from 1983 - 1987. Director of the Federal Home Loan Bank of Des Moines from 1999 - 2007, serving as Chairman from 2004 - 2007. Served as Director of the 9th District Minneapolis Federal Reserve from 2012-2018,	65	1988
Karen M. Bohn Edina, MN	President of Galeo Group, LLC. Former Chief Administrative Officer of Piper Jaffray Companies, Former President of Piper Jaffray Companies Foundation, and Former President of Piper Trust Company. Serves on the Board of Directors of OtterTail Corporation, Ameriprise Certificate Corporation, RiverSource Life insurance Company of NY, and International Women's Forum MN Chapter.	65	1999
Lloyd G. Case Fargo, ND	Retired. Former President and CEO of Forum Communications Company. Secretary and Treasurer of Forum Communications Foundation. Serves on the Board of Directors of Forum Communications.	73	2005
Daniel E. Coughlin Libertyville, IL	Former Managing Director and Co-Head of the Financial Services practice at Raymond James & Associates and Chairman & CEO of Howe Barnes Hoefer & Arnett. Serves on the Board of Directors of the Mailisita Foundation.	56	2016
Kevin D. Lemke Grand Forks, ND	President of Virtual Systems, Inc. Former owner and Information Systems Director of Computerland of Grand Forks.	66	1994
Michael S. Mathews Maple Grove, MN	Chief Information Officer, Deluxe Corporation and Former SVP, Technology and Enterprise Programs, UnitedHealth Group. Former Global Head/Director, Global Technology, Operations and Six Sigma, Merrill Lynch.	47	2018
Sally J. Smith Edina, MN	Past President, CEO and Director of Buffalo Wild Wings. Former CFO of Buffalo Wild Wings. Serves on the Board of Directors, and is Past Chair, of the National Restaurant Association. Serves on the Boards of Directors of Allina Health Systems, Hormel Foods and Marvin Companies.	61	2007
Galen G. Vetter Minneapolis, MN	Retired. Former Senior Vice President and Global Chief Financial Officer of Franklin Templeton Investments and Partner In-Charge of the Upper Midwest Region and National Executive Partner at McGladrey LLP. Serves on the Board of Directors of Land O'Lakes, Hill Capital Corp., Crossroads Systems, and ATRM Holdings.	67	2013

Board and Committee Meetings

During the fiscal year ended December 31, 2018, the Board held six meetings. All of the directors attended all of the meetings. The Board also regularly holds executive sessions of the outside (non-management) members of the Board without inside directors or executive management present. The chairman at these executive sessions is the lead independent director of the Board (the “**Lead Director**”). The Lead Director is responsible for coordinating with the Chief Executive Officer to set the agenda for Board meetings and advising the Chief Executive Officer on various Board matters. As of the date of this Proxy Statement, Mr. Gershman serves as the Lead Director. The Board plans to appoint a new Lead Director following Mr. Gershman’s retirement.

Committee Structure

The Board exercises certain of its powers through the following committees: Audit Committee, Talent Management and Compensation Committee (the “**Compensation Committee**”), Governance Committee, and Risk Committee. Each committee has a charter that addresses its purpose, authority, and responsibilities and contains other provisions relating to membership and meeting requirements. As required by its charter, each committee annually reviews and assesses its charter, but may recommend amendments at any time. In addition, each charter requires the committee to annually review its performance. Each committee has the authority to engage outside experts, advisors and counsel to the extent it considers appropriate to assist the committee in its work. Each committee is comprised of outside (non-management) directors only and each outside Board member sits on at least two committees. The committee chair reports to the full Board on the matters undertaken at each committee meeting. The following table provides membership information for each of the Board’s standing committees if the director nominees are approved at the Annual Meeting:

DIRECTOR NAME	AUDIT COMMITTEE	COMPENSATION COMMITTEE	GOVERNANCE COMMITTEE	RISK COMMITTEE
Randy L. Newman				
Karen M. Bohn	X		Chair	
Lloyd G. Case	X		X	
Daniel E. Coughlin		X		Chair
Michael S. Mathews				
Kevin D. Lemke		Chair		X
Sally J. Smith		X		X
Galen G. Vetter	Chair		X	

The following is a summary of the functions of each committee:

Audit Committee – The Audit Committee is a fully independent audit committee that oversees the Corporation’s financial reporting process and the relationship with the Corporation’s accountants. Its primary responsibilities include: (1) recommending to the Board the engagement or discharge of the Corporation’s independent public accountants; (2) reviewing with the Corporation’s independent public accountants the recommendations and results of the audit engagement; (3) approving the services to be performed by the Corporation’s independent public accountants; (4) reviewing the scope and results of the internal audit procedures of the Corporation and its subsidiaries; (5) reviewing the adequacy of the Corporation and its subsidiaries’ systems of internal accounting controls; and (6) overseeing the activities of the Corporation and its subsidiaries’ regulatory compliance efforts. The Audit Committee held five meetings in fiscal 2018. Each committee member attended all of the Audit Committee meetings.

Compensation Committee – The Compensation Committee is responsible for approving the compensation program and supporting policy and practices for the Corporation’s executive officers. Its primary functions include: (1) overseeing the performance appraisal process for the Chief Executive Officer; (2) retaining qualified executive management through oversight of compensation systems, benefit plans and training programs; and (3) overseeing the employee compensation and performance management systems. The Compensation Committee held five meetings in fiscal 2018. Each committee member attended all of the Compensation Committee meetings.

Governance Committee – The Governance Committee is responsible for policies and practices designed to promote the diligent observance by the Board, its committees and management of their responsibilities. The primary functions of the Governance Committee include: (1) recommending corporate governance principles to the Board; (2) recommending changes in the size and composition of the Board and committees of the Board; (3) monitoring committee charters; (4) overseeing the process for potential director candidates; (5) administering Board and Board committee evaluations; (6) evaluating amendments to the Corporation’s certificate of incorporation and bylaws; and (7) reviewing succession planning for the Chief Executive Officer and other senior officer levels. The Governance Committee held 10 meetings in fiscal 2018. Each committee member attended all of the Governance Committee meetings.

Risk Committee – The Risk Committee is responsible for reviewing strategies for overseeing the administration and effectiveness of risk management policies. The primary functions of the Risk Committee include: (1) approval of financial risk management policies; (2) oversight of capital management strategies; and (3) reviewing enterprise level risk activities. The Risk Committee held four meetings in fiscal 2018. Each committee member attended all of the Risk Committee meetings.

Director Qualification and Nomination Process

The Governance Committee is responsible for identifying individuals qualified to become Board members and maintaining an active file of suitable candidates for directors. The Governance Committee is also responsible for recommending to the Board the individuals for nomination as members of the Board. In evaluating current members and new candidates, the Governance Committee considers the needs of the Board and the Corporation in light of the current mix of director skills and attributes. The evaluation of director candidates includes an assessment of issues and factors regarding an individual’s business, governance and board experience, financial and accounting expertise, age, geography, reputation, civic and community relationships, and knowledge and experience in matters impacting financial institutions. The Governance Committee also takes into consideration the ability of directors to devote adequate time to Board and committee matters, and the Board’s belief that a substantial majority of the Board should consist of independent directors.

The Governance Committee identifies potential candidates for nomination primarily through recommendations it receives from current Board members, the Chief Executive Officer, and contacts in the communities the Corporation serves. The Governance Committee will consider recommendations by the Corporation’s stockholders of qualified director candidates for possible nomination by the Board. Based on a preliminary assessment of the candidate’s qualifications, the Governance Committee and members of management may conduct interviews with the candidate and request additional information from the candidate. The candidate’s name would then be recommended to the full Board for nomination by the Governance Committee upon a satisfactory conclusion to the process described above.

The Corporation's certificate of incorporation contains specific conditions under which persons may be nominated directly by stockholders for election as directors at an annual meeting of stockholders. The Corporation's certificate of incorporation includes the condition that stockholders comply with the advance notice timeframe requirements described below under "Director Nominations for 2020 Annual Stockholder Meeting."

Director Compensation

The Corporation pays each director a meeting fee of \$3,000 for attending each Board meeting and \$1,000 for each committee meeting or special meeting. The Lead Director and each committee chairperson are paid an additional \$6,000 annually. Directors are paid special meeting fees for their attendance at educational conferences. A cash retainer of \$20,000 and an annual stock retainer of \$35,000 was also paid in fiscal 2018 in the form of 1,431 shares of Common Stock to each director pursuant to the Alerus Financial Corporation Retainer Stock Plan. An outside compensation consultant is utilized in determining director compensation and peer group comparisons are performed.

PROPOSAL 2

APPROVAL OF THE THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

General

We are asking our stockholders to review and approve a proposal to amend and restate the Corporation's existing certificate of incorporation. In the course of its duties, from time to time the Board reviews the certificate of incorporation, bylaws and other corporate governance documents of the Corporation to ensure that such documents: (1) comply with applicable law (specifically, the Delaware General Corporation Law (the "DGCL") and regulatory requirements; (2) properly reflect and accommodate the corporate strategy and governance structure of the Corporation; and (3) include such industry best practices as the Board determines appropriate.

Recently, the Board identified certain modifications and updates to the existing certificate of incorporation which it determined would be in the best interests of the Corporation and its stockholders. In general, these changes fall into three categories: (1) removal of the terms of a series of preferred stock that is no longer outstanding; (2) removal of anti-takeover provisions that take control away from stockholders in connection with business combination transactions involving the Corporation; and (3) removal of supermajority voting thresholds that make it more difficult for our stockholders to take action to change the certificate of incorporation. **The Board believes that the changes it is proposing are beneficial to our stockholders and should result in our stockholders having more of a say with respect to the Corporation's corporate strategy and governance.** As the initial step to effecting such changes, the Board approved an amendment and restatement of the certificate of incorporation, subject to the approval of the Corporation's stockholders.

The Board, after careful consideration, has approved and adopted, and recommends that the Corporation's stockholders approve, this proposal to amend and restate the Corporation's existing certificate of incorporation (as amended to date, the "**Existing Certificate**") as its Third Amended and Restated Certificate of Incorporation (the "**New Certificate**").

The New Certificate

If this proposal is approved by the Corporation's stockholders, the Existing Certificate will be amended and restated as the New Certificate, in the form attached to this Proxy Statement as Appendix A to this Proxy Statement. A copy of the Existing Certificate is available upon request. If approved by the Corporation's stockholders, the New Certificate will become effective when the Corporation files it with the Secretary of State of the State of Delaware, which the Corporation intends to complete shortly after the Annual Meeting. If the New Certificate is not approved by the Corporation's stockholders, the Corporation will continue to operate under the Existing Certificate, without change.

Reasons for, and Effects of, the New Certificate

The Existing Certificate was most recently amended and restated on May 15, 2014. In 2014, the Board engaged in a similar process of reviewing the existing certificate of incorporation and identifying changes to be made to comply with applicable law and regulatory requirements, to properly reflect and accommodate the corporate strategy and governance structure of the Corporation and to reflect best practices. At that time, the Board identified certain changes that it desired to make, including the removal of 75% supermajority voting thresholds found throughout

the certificate, but it was concerned about reaching such threshold. As a result, in 2014, the Board presented stockholders with a proposal to amend and restate the Corporation's certificate of incorporation that would require a simple majority vote by the stockholders. In addition, the Board included a second proposal to fix the director removal provision to conform to the DGCL, a proposal subject to a 75% supermajority voting requirement, but that proposal did not pass at the 2014 annual stockholders' meeting. The Board did not present additional changes it had identified in 2014 because of the supermajority voting requirements.

Following the Board's most recent review of the governing documents of the Corporation, the Board determined it would be in the best interests of the Corporation and its stockholders to revisit some of these potential changes and present them to stockholders for review and approval. In addition, the Board is proposing certain new changes to clean-up and streamline the Existing Certificate, including removing a series of preferred stock that is no longer outstanding.

Set forth below is a discussion of the material changes between the Existing Certificate and the New Certificate. Please note that this discussion is a summary of the material terms of the New Certificate and is qualified in its entirety by reference to that document, a copy of which is attached as Appendix A to this Proxy Statement and which is incorporated by reference herein. This summary may not contain all of the information that is important to you. The Corporation encourages you to read Appendix A in its entirety.

Removal of Series A Preferred Stock – Article IV, Section 10 and Exhibit A of the Existing Certificate set forth the terms of a series of preferred stock designated by the Board as Senior Non-Cumulative Perpetual Preferred Stock, Series A (the “**Series A Preferred Stock**”). The Board created the Series A Preferred Stock out of the authorized pool of preferred stock specifically to be issued to the U.S. Treasury as part of the Small Business Lending Fund program in 2011. In 2016, the Corporation redeemed all of the outstanding shares of Series A Preferred Stock, and because of the unique terms of the Series A Preferred Stock, the Board does not believe it will ever be issued again. As a result, the Board has determined that it is in the best interests of the Corporation and its stockholders to amend and restate the Existing Certificate to remove the Series A Preferred Stock.

Size of the Board – Article VI, Section 1 of the Existing Certificate provides that the Board will consist of a maximum of fifteen persons and a minimum of five persons. The Corporation's bylaws provide that the number of directors may be fixed from time to time by the Board within the range set by the Existing Certificate. By resolutions adopted by the Board, the number of directors of the Board is currently fixed at nine, and as described above, the Board intends to reduce the size of the Board to eight directors following the Annual Meeting.

The New Certificate lowers the maximum number of directors to twelve and maintains the minimum number of directors at five. Typically, a company will specify a maximum board size to limit a stockholder's ability to take control of the board of directors by submitting a stockholder proposal to increase the board size, and then “packing” the board with the stockholder's own director nominees. The Board is proposing to reduce the maximum board size at this time to further strengthen this protection as other protections are being removed from the Existing Certificate and because it will better reflect the desired size of the Board. The Board believes that it is important to maintain a smaller sized Board to ensure efficiency in the Board's oversight of the Corporation. The Board has no current intention to increase the size of the Board materially from its current size and does not believe it needs the flexibility to do so in the certificate of incorporation.

A change to this provision requires the affirmative vote of the holders of not less than 75% of the shares of Common Stock outstanding on the Record Date.

Removal of Directors – Article VI, Section 3 of the Existing Certificate provides that a director may be removed at any time, but only for “cause,” as defined as “final conviction of a felony, unsound mind, adjudication of bankruptcy, non-acceptance of office or conduct prejudicial to the interest of the Corporation,” and only by the affirmative vote of not less than 75% of the Board or 75% of the outstanding voting stock of the Corporation. This provision does not currently comply with the DGCL, which states that directors of a Delaware corporation may generally be removed by the corporation’s stockholders, with or without cause, by the affirmative vote of a majority of the outstanding shares of the corporation’s stock entitled to vote on the election of directors. In 2013, the Board approved an amendment to the Corporation’s bylaws to modify the director removal provision contained in that document to conform to the DGCL, and in 2014, a proposal to amend the certificate of incorporation was presented to stockholders but was not approved due to the supermajority voting requirement. The Board believes it is in the best interests of the Corporation and its stockholders to amend the Existing Certificate to conform to the DGCL regarding the removal of directors.

A change to this provision requires the affirmative vote of the holders of not less than 75% of the shares of Common Stock outstanding on the Record Date.

Removal of Anti-Takeover Provisions – The Existing Certificate includes a number of anti-takeover or defensive provisions, primarily located in Article VI of the Existing Certificate, that are intended to protect the Corporation from activist stockholders and hostile third-party acquirors. Those provisions include:

- Article VI, Section 6 (Amendment of Bylaws)
- Article VI, Section 7 (Special Shareholder Quorum)
- Article VI, Section 8 (Consideration in Evaluating Acquisition Offer) and
- Article VI, Section 10 (Related Person Business Transaction)

The Board has determined that the protections these provisions afford are no longer necessary and are not consistent with the corporate strategy and governance structure of the Corporation. This is in part because the Corporation is a regulated bank holding company and certain banking laws and regulations already have an anti-takeover effect. In general, no investor can acquire 10% or more of any class of voting stock of a bank holding company or depository institution, including shares of our Common Stock, without prior regulatory approval. The regulatory approval process is public in part, and as a result, it is very difficult for an investor interested in taking over a bank holding company or bank to obtain a large block of stock and exert a controlling influence without the target company receiving a warning in advance.

Although the Board still believes that it is in the best interests of the Corporation and its stockholders to maintain control over any process relating to a business combination transaction, the Board believes the remaining provisions in the New Certificate, including Article IV, Section 6, which requires a 75% supermajority stockholder vote if more than 25% of directors recommend against a particular transaction, provide it with the necessary protection.

Removal of 75% Supermajority Voting Thresholds – The Existing Certificate requires supermajority approval for amendments of certain Articles and Sections in the Existing Certificate, including:

- Article V (Issuance of Stock)
- Article VI, Section 1 (Number of Directors)
- Article VI, Section 3 (Removal of Directors)
- Article VI, Section 4 (Director Nominations)
- Article VI, Section 6 (Amendment of Bylaws)
- Article VI, Section 7 (Special Shareholder Quorum)
- Article VI, Section 8 (Consideration in Evaluating Acquisition Offer)
- Article VI, Section 9 (Votes Required to Approv[e] Hostile Acquisition) and
- Article VI, Section 10 (Related Person Business Transaction)

These heightened voting standards were initially included in the Corporation's certificate of incorporation to provide the Corporation with additional protection from activist stockholders and hostile third-party acquirors by making it difficult to change provisions in the certificate, including the anti-takeover provisions described above. The Board has determined that the protections these provisions afford are no longer necessary and are not consistent with the corporate strategy and governance structure of the Corporation. Further, these heightened voting standards may be difficult to achieve, especially in light of the fact that at some of the Corporation's prior annual meetings, the holders of less than 75% of the outstanding shares of Common Stock have attended, and in fact, in 2014, the Corporation attempted and failed to obtain a 75% vote to correct the director removal provision in the Existing Certificate. Accordingly, the Board believes it is in the best interests of the Corporation and its stockholders to categorically remove the 75% supermajority voting requirement to amend or repeal certain provisions from the Existing Certificate.

Changes to these provisions require the affirmative vote of the holders of not less than 75% of the shares of Common Stock outstanding on the Record Date. Under the New Certificate, amendments to the any provision of the New Certificate would require the affirmative vote of the holders of a majority of the outstanding voting stock of the Corporation.

Stockholder Vote Necessary to Approve the New Certificate

Approval of the New Certificate will require the affirmative vote of the holders of not less than 75% of the shares of Common Stock outstanding on the Record Date. Accordingly, abstentions and broker non-votes will have the same legal effect as a vote "against" this proposal.

Board Recommendation

The Board unanimously recommends a vote in favor of this proposal.

PROPOSAL 3

APPROVAL OF THE ALERUS FINANCIAL CORPORATION 2019 EQUITY INCENTIVE PLAN

A proposal will be presented at the Annual Meeting to approve the Alerus Financial Corporation 2019 Equity Incentive Plan (the “**2019 Plan**”). The Board adopted the 2019 Plan on February 21, 2019, subject to stockholder approval. A summary of the material provisions of the 2019 Plan is set forth below. A copy of the 2019 Plan is set forth as Appendix B.

Proposed 2019 Equity Incentive Plan

Our Board has adopted the 2019 Plan to promote the long-term financial success of the Corporation and its subsidiaries by attracting and retaining key employees and other individuals, and directed that the 2019 Plan be submitted for approval by our stockholders. We are submitting the 2019 Plan to our stockholders at this time to:

- replace our current equity incentive plan, the Alerus Financial Corporation 2009 Stock Plan (the “**Prior Plan**”); and,
- comply with rules relating to incentive stock options under Section 422 of the Internal Revenue Code (the “**Code**”), which require stockholder approval.

If the 2019 Plan is not approved by our stockholders, it will not be adopted, and we will continue to operate under the Prior Plan until its expiration. In the event the 2019 Plan is not approved and the Prior Plan expires, we believe that higher cash compensation may be required to attract and retain key employees and other individuals.

In determining the number of shares of the Corporation’s Common Stock to be authorized under the 2019 Plan, the Board considered the effects of our size, number of outstanding shares of the Corporation’s Common Stock, and employee headcount, and the Board believes that a share reserve of 1,100,000 shares is appropriate. Upon stockholder approval of the 2019 Plan, the Prior Plan will be frozen.

Stockholder Approval; Best Practices

If the 2019 Plan is adopted by our stockholders, we will not make any new grants of awards under the Prior Plan. The 2019 Plan submitted for approval reflects current practices in equity incentive plans that we consider best practices, such as:

- **Independent Oversight.** The 2019 Plan will be administered by the Compensation Committee of the Board, which is comprised of independent members of our Board.
- **Double Trigger Change in Control Provisions.** The change in control provisions under the 2019 Plan provide for acceleration of vesting in the event of a change in control only if the 2019 Plan does not become an obligation of the successor entity or the participant incurs a termination of service without cause or for good reason within 24 months following the change in control.
- **No Evergreen Feature.** The number of authorized shares under the 2019 Plan is fixed at 1,100,000. The 2019 Plan does not include an “evergreen” feature that

would cause the number of authorized shares to automatically increase in future years.

- **Conservative Share Reuse Provision.** Shares subject to an award under the 2019 Plan will not be available for reuse if such shares are tendered in payment of a stock option, delivered or withheld to satisfy any tax withholding obligation, or not issued upon the settlement of a stock-settled stock appreciation right (SAR) or other award.
- **Minimum Vesting Periods.** Stock awards that are vested solely based on continued service, must have a vesting period of at least one year, with the exception that up to 5% of the share reserve may have a shorter vesting period for director awards.
- **Dividends Subject to Vesting.** Dividend payments or dividend equivalent payments on shares subject to outstanding awards may only be distributed upon the vesting of the underlying award, to the extent permitted by law.
- **Clawback Policy Implementation.** All awards under the 2019 Plan will be subject to any applicable law respecting recapture of compensation or the Corporation's clawback policy in effect from time to time.
- **Forfeiture Provisions.** Upon a breach of a restrictive covenant, participants forfeit all outstanding awards (whether vested or unvested) and must repay to the Corporation any shares or profits realized, within one year prior to the participant's termination of service and thereafter, from the exercise of awards or subsequent disposition of shares received in connection with the 2019 Plan.
- **Multiple Award Types.** The 2019 Plan permits the issuance of stock options, restricted stock units, restricted stock and other types of equity grants, subject to the share limits of the Plan. This breadth of award types will enable the Compensation Committee to tailor awards in light of the accounting, tax and other standards applicable at the time of grant. Historically, these standards have changed over time.
- **Repricing Prohibited.** Repricing of stock options and SARs generally is prohibited without prior stockholder approval, with customary exceptions for stock dividends or splits, reorganizations, recapitalizations and similar events.
- **Discount Stock Options and SARs Prohibited.** All stock options and SARs must have an exercise price equal to or greater than the fair market value of our Common Stock on the date the stock option or SAR is granted.

A summary of the material provisions of the 2019 Plan is set forth below. A copy of the 2019 Plan is set forth as Appendix B.

General

The 2019 Plan was adopted by our Board to promote the Corporation's long-term financial success by providing a means to attract, retain and reward individuals who can and do contribute to such success, and to further align their interests with those of the Corporation's stockholders. The 2019 Plan will be administered by the Compensation Committee, which has the authority to

select award recipients from the eligible participants, determine the types of awards to be granted, and determine the applicable terms, conditions, performance criteria, restrictions and other provisions of such awards, including any vesting or accelerated vesting requirements or conditions applicable to an award or awards.

The 2019 Plan incorporates a broad variety of cash-based and equity-based incentive compensation elements to provide the Compensation Committee with significant flexibility to appropriately address the requirements and limitations of recently applicable legal, regulatory and financial accounting standards in a manner mutually consistent with the purposes of the 2019 Plan and stockholder interests.

Subject to permitted adjustments for certain corporate transactions, the maximum number of shares that may be delivered to participants, or their beneficiaries, under the 2019 Plan is 1,100,000 shares of the Corporation's Common Stock. To the extent that any shares of stock covered by an award (including stock awards) under the 2019 Plan expire or are not delivered for any reason, including because the award is forfeited, cancelled, or settled in cash, such shares will not be deemed to have been delivered for purposes of determining the maximum number of shares of stock available for delivery under the 2019 Plan. With respect to stock options for which payment of the exercise price is satisfied by tendering shares of stock of the Corporation, or by the net exercise of the award, the full number of shares of stock set forth in the award agreement will be counted for purposes of these limitations. Shares covered by stock SARs that are settled in stock, or other awards that are not issued upon settlement, the full number of shares set forth in the award agreement will be deemed issued or delivered for purposes of these limitations. Additionally, shares that are tendered to, or withheld by, the Corporation to satisfy any tax withholding obligations will be deemed to have been delivered for purposes of these limitations.

The 2019 Plan's effective date will be May 6, 2019, subject to approval by stockholders. If approved, the 2019 Plan will continue in effect as long as any awards are outstanding; provided, however, that no awards may be granted under the 2019 Plan after the ten-year anniversary of the effective date. Any awards that are outstanding after the tenth anniversary of the effective date shall remain subject to the terms of the 2019 Plan.

The maximum number of shares that may be subject to share-based awards which may be granted to any one director participant during any calendar year shall not exceed a value of \$150,000. For this purpose, the value of any share-based award shall be determined based on the grant date fair value of such awards computed in accordance with FASB ASC Topic 718 (or any successor provision in accordance with GAAP). The foregoing limitations with respect to directors will not apply to cash-based director fees that the director elects to receive in the form of shares or share based units equal in value to the cash-based director fees.

The Compensation Committee may use shares of stock available under the 2019 Plan as the form of payment for grants or rights earned or due under any other compensation plans or arrangements of the Corporation or a subsidiary, including the plans and arrangements of the Corporation or a subsidiary assumed in business combinations.

In the event of a corporate transaction involving the stock of the Corporation (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the foregoing share limitations and all outstanding awards will automatically be adjusted proportionally and uniformly to reflect such event; provided, however, that the Compensation Committee may adjust awards, or prevent the automatic adjustment of awards, to preserve the benefits or potential benefits of the awards.

Except as provided by the Compensation Committee, awards granted under the 2019 Plan are not transferable except as designated by the participant by will or by the laws of descent and distribution or pursuant to a domestic relations order. The Compensation Committee has the discretion to permit the transfer of awards under the 2019 Plan; provided, however, that such transfers shall be limited to immediate family members of participants, trusts, partnerships, limited liability companies and other entities established for the primary benefit of such family members or to charitable organizations, and as long as such transfers are made without value to the participant.

If the right to become vested in an award granted under the 2019 Plan to a participant is conditioned on the completion of a specified period of service with the Corporation or a subsidiary, without achievement of performance measures or other performance conditions being required as a condition of vesting, and without being granted instead of or in exchange for other compensation or awards, then the required period of service for full vesting must be at least one year. This minimum required period of service for full vesting does not apply to stock awards granted to directors provided that the aggregate of such grants does not exceed five percent of the total share reserve under the 2019 Plan.

The Compensation Committee may provide a participant with the right to receive dividend payments or dividend equivalent payments on shares subject to outstanding awards provided that such dividend payments or dividend equivalent payments will be withheld by the Corporation and only distributed upon the release of restrictions subject to the underlying award. If the underlying award is forfeited, the participant will have no rights to such dividend payments or dividend equivalent payments.

Eligibility

Selected employees and directors of, and service providers to, the Corporation or its subsidiaries are eligible to become participants in the 2019 Plan, except that non-employees may not be granted incentive stock options. The Compensation Committee will determine the specific individuals who will be granted awards under the 2019 Plan and the type and amount of any such awards.

Options

The Compensation Committee may grant incentive stock options or non-qualified stock options to purchase stock at a specified exercise price. Each award must be pursuant to an award agreement setting forth the terms and conditions of the individual award. Awards of stock options must expire no later than ten (10) years from the date of grant (and no later than five (5) years for incentive stock options granted to a person who beneficially owns 10% or more of the Corporation's Common Stock).

The exercise price for any stock option may not be less than the fair market value of the Corporation's Common Stock on the date the stock option is granted. In addition, the exercise price of an incentive stock option granted to a person who beneficially owns 10% or more of the Corporation's Common Stock at the time of grant, may not be less than 110% of the fair market value of the stock on the date the stock option is granted. The exercise price of a stock option may, however, be higher or lower than the fair market value for a stock option granted in replacement of an existing award held by an employee or director of, or service provider to, a third party that is acquired by the Corporation or one of its subsidiaries. The exercise price of a stock option may not be decreased after the date of grant nor may a stock option be surrendered to the Corporation as consideration for the grant of a replacement stock option with a lower exercise price, except as

approved by the Corporation's stockholders, as adjusted for corporate transactions described above.

Stock options awarded under the 2019 Plan will be exercisable in accordance with the terms established by the Compensation Committee. Any incentive stock option granted under the 2019 Plan that fails to continue to qualify as an incentive stock option will be deemed to be a non-qualified stock option and the Compensation Committee may unilaterally modify any incentive stock option to disqualify it as an incentive stock option. The full purchase price of each share of stock purchased upon the exercise of any stock option must be paid at the time of exercise of a stock option. Except as otherwise determined by the Compensation Committee, the exercise price of a stock option may be paid in cash, by personal, certified or cashiers' check, in shares of the Corporation's Common Stock (valued at fair market value as of the day of exercise) either via attestation or actual delivery, by other property deemed acceptable by the Compensation Committee, by irrevocably authorizing a third party to sell shares of the Corporation's Common Stock and remit a sufficient portion of the proceeds to the Corporation to satisfy the exercise price and any tax withholding resulting from such exercise price, by payment through a net exercise such that, without the payment of any funds, the Participant may exercise the stock option and receive the net number of shares equal in value to the number of shares as to which the stock option is exercised, multiplied by a fraction, the numerator of which is the fair market value less the exercise price, and the denominator of which is the fair market value, or in any combination of the foregoing methods deemed acceptable by the Compensation Committee.

Stock Appreciation Rights

SARs entitle the participant to receive cash or stock equal in value to, or based on the value of, the amount by which the fair market value of a specified number of shares on the exercise date exceeds an exercise price established by the Compensation Committee. The exercise price for an SAR may not be less than the fair market value of the stock on the date the SAR is granted, provided, however, that the exercise price may be higher or lower than fair market value for an SAR granted in replacement of an existing award held by an employee or director of, or service provider to, a third party that is acquired by the Corporation or one of its subsidiaries. SARs shall be exercisable in accordance with the terms established by the Compensation Committee.

Stock Awards

A stock award is a grant of shares of the Corporation's Common Stock or a right to receive shares of the Corporation's Common Stock, an equivalent amount of cash or a combination thereof in the future. Such awards may include, but are not be limited to, bonus shares, stock units, performance shares, performance units, restricted stock, restricted stock units or any other equity-based award as determined by the Compensation Committee. The specific performance measures, performance objectives or period of service requirements are set by the Compensation Committee in its discretion.

Cash Incentive Awards

A cash incentive award is the grant of a right to receive a payment of cash, or the Corporation's Common Stock having a value equivalent to the cash otherwise payable, determined on an individual basis or as an allocation of an incentive pool that is contingent on the achievement of performance objectives established by the Compensation Committee. The Compensation Committee may grant cash incentive awards that may be contingent on achievement of a participant's performance objectives over a specified period established by the Compensation

Committee. The grant of cash incentive awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Compensation Committee.

Acceleration

Any awards granted under the 2019 Plan may be subject to acceleration of vesting, to the extent permitted by the Compensation Committee.

Forfeiture

Unless specifically provided to the contrary in the applicable award agreement, if a participant's service is terminated for cause, any outstanding award held by such participant (whether vested or unvested) will be forfeited immediately and such participant will have no further rights under the award.

Further, except as otherwise provided by the Compensation Committee, if a participant breaches a non-competition, non-solicitation, non-disclosure, non-disparagement or other restrictive covenant in any agreement between the participant and the Corporation or a subsidiary, whether before or after the participant's termination of service, the participant will forfeit or pay the following to the Corporation:

- all outstanding awards granted to the participant under the 2019 Plan, including awards that have become vested or exercisable;
- any shares held by the participant in connection with the 2019 Plan that were acquired after the participant's termination of service and within the 12-month period immediately preceding the participant's termination of service;
- the profit realized by the participant from the exercise of any stock options and SARs that the participant exercised after the participant's termination of service and within the 12-month period immediately preceding the participant's termination of service; and
- the profit realized by the participant from the sale or other disposition of any shares received by the participant in connection with the 2019 Plan after the participant's termination of service and within the 12-month period immediately preceding the participant's termination of service, where such sale or disposition occurs in such similar time period.

Change in Control

Unless otherwise provided in an award agreement, upon the occurrence of a change in control, all stock options and SARs under the 2019 Plan then held by the participant will become fully exercisable immediately if, and all awards will become fully earned and vested immediately if, (i) the 2019 Plan is not an obligation of the successor entity following a change in control or (ii) the 2019 Plan is an obligation of the successor entity following a change in control and the participant incurs a termination of service without cause or for good reason following the change in control.

For purposes of the 2019 Plan, a "change in control" generally will be deemed to occur when (i) any person acquires 50% or more of the combined voting power of the Common Stock of the Corporation, (ii) with respect to those Board members serving as of the 2019 Plan's effective

date, the replacement of a majority of such members during any 12-month period unless the new Board members were approved by a majority vote of the directors then in office, (iii) a merger or other similar transaction where existing holders of common stock (prior to the transaction) do not own more than 50% of the common stock of the entity resulting from such merger or other similar transaction, or (iv) a complete liquidation or dissolution of, or sale of all or substantially all of the assets of, the Corporation.

However, a change in control generally will not be deemed to occur solely because 50% or more of the combined voting power of the Common Stock of the Corporation is acquired by (i) a trustee or other fiduciary under one or more Corporation employee benefit plans, or (ii) any entity that is owned by the Corporation's stockholders in the same proportion as their ownership of the Corporation's Common Stock.

Further notwithstanding any provision in the foregoing definition of Change in Control to the contrary, in the event that any Award constitutes deferred compensation, and the settlement of, or distribution of benefits under such Award is to be triggered by a change in control, then such settlement or distribution shall be subject to the event also constituting a "change in control event" under Code Section 409A.

Amendment and Termination

The Board may at any time amend or terminate the 2019 Plan or any award granted under the 2019 Plan, provided that no amendment or termination may impair the rights of any participant without the participant's written consent. The Board may not amend the provision of the 2019 Plan to materially increase the original number of shares that may be issued under the 2019 Plan (other than as provided in the 2019 Plan), materially increase the benefits accruing to a participant, or materially modify the requirements for participation in the 2019 Plan, without approval of stockholders. However, the Compensation Committee may amend the 2019 Plan or any award agreement at any time, retroactively or otherwise, to ensure that the 2019 Plan complies with current or future law without stockholder approval, and the Compensation Committee may unilaterally amend the 2019 Plan and any outstanding award, without participant consent, in order to avoid the application of, or to comply with, Section 409A of the Code, and applicable regulations and guidance thereunder.

Clawback Policy

All awards, amounts and benefits received under the 2019 Plan will be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any applicable Corporation clawback policy, as may be in effect from time to time, or any applicable law even if adopted after the 2019 Plan becomes effective.

U.S. Federal Income Tax Considerations

The following is a summary of the U.S. federal income tax consequences that may arise in conjunction with participation in the 2019 Plan.

Non-Qualified Stock Options. The grant of a non-qualified stock option generally will not result in taxable income to the participant. Except as described below, the participant generally will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares acquired over the exercise price for those shares and the Corporation generally will be entitled to a corresponding deduction. Gains or losses realized by the participant upon

disposition of such shares will generally be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

Incentive Stock Options. The grant of an incentive stock option generally will not result in taxable income to the participant. The exercise of an incentive stock option generally will not result in taxable income to the participant provided that the participant was, without a break in service, an employee of the Corporation or a subsidiary during the period beginning on the date of the grant of the stock option and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Code).

The excess of the fair market value of the shares at the time of the exercise of an incentive stock option over the exercise price generally will be an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the incentive stock option is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares acquired pursuant to the incentive stock option exercise, the participant generally will have a basis in those shares equal to the fair market value of the shares at the time of exercise.

If the participant does not sell or otherwise dispose of the shares within two years from the date of the grant of the incentive stock option or within one year after the transfer of such stock to the participant, then, upon disposition of such shares, any amount realized in excess of the exercise price generally will be taxed to the participant as capital gain. A capital loss generally will be recognized to the extent that the amount realized is less than the exercise price.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income at the time of the disposition of the shares, in an amount equal to the lesser of (i) the excess of the fair market value of the shares on the date of exercise over the exercise price, or (ii) the excess, if any, of the amount realized upon disposition of the shares over the exercise price and the Corporation generally will be entitled to a corresponding deduction. If the amount realized exceeds the value of the shares on the date of exercise, any additional amount will be capital gain. If the amount realized is less than the exercise price, the participant generally will recognize no income, and a capital loss generally will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

Stock Appreciation Rights. The grant of an SAR generally will not result in taxable income to the participant. Upon exercise of an SAR, the fair market value of shares received generally will be taxable to the participant as ordinary income and the Corporation will be entitled to a corresponding deduction. Gains and losses realized by the participant upon disposition of any such shares generally will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

Stock Awards. A participant who has been granted a stock award generally will not realize taxable income at the time of grant, provided that the stock subject to the award is not delivered at the time of grant, or if the stock is delivered, it is subject to restrictions that constitute a "substantial risk of forfeiture" for U.S. income tax purposes. Upon the later of delivery or vesting of shares subject to an award, the holder generally will realize ordinary income in an amount equal to the then fair market value of those shares and the Corporation generally will be entitled to a corresponding deduction. Gains or losses realized by the participant upon disposition of such shares generally will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of delivery or vesting. Dividends paid to the holder during the restriction period, if so provided, generally will also be compensation income to the participant and the Corporation will be entitled to a corresponding deduction.

Cash Incentive Awards. A participant who has been granted a cash incentive award generally will not realize taxable income at the time of grant, provided that no cash is actually paid at the time of grant. Upon the payment of any cash in satisfaction of the cash incentive award, the participant generally will realize ordinary income in an amount equal to the cash award received and the Corporation will be entitled to a corresponding deduction.

Withholding of Taxes. The Corporation may withhold amounts from participants to satisfy withholding tax requirements. Except as otherwise provided by the Compensation Committee, participants may tender cash, have shares withheld from awards or may tender previously owned shares to the Corporation to satisfy tax withholding requirements. The shares withheld from awards may not be used to satisfy more than the individual statutory tax rate for each applicable tax jurisdiction.

Change in Control. Any acceleration of the vesting or payment of awards under the 2019 Plan in the event of a change in control in the Corporation may cause part or all of the consideration involved to be treated as an “excess parachute payment” under Section 280G of the Code, which may subject the participant to a 20% excise tax and preclude deduction by the Corporation.

Tax Advice

The preceding discussion is based on U.S. federal tax laws and regulations presently in effect, which are subject to change, and the discussion does not purport to be a complete description of the U.S. federal income tax aspects of the 2019 Plan. A participant may also be subject to state and local taxes in connection with the grant of awards under the 2019 Plan. The Corporation strongly encourages participants to consult with their individual tax advisors to determine the applicability of the tax rules to the awards granted to them in their personal circumstances.

* * * * *

The number and types of awards to be made pursuant to the 2019 Plan is subject to the discretion of the Compensation Committee and is not determinable at this time.

Stockholder Vote Necessary to Approve the 2019 Plan

Approval of the 2019 Plan must receive the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same legal effect as a vote “against” this matter, while broker non-votes, because they will not be counted as entitled to vote, will not affect the voting on this matter.

Board Recommendation

The Board unanimously recommends a vote in favor of this proposal.

PROPOSAL 4

RATIFICATION OF THE APPOINTMENT OF CLIFTONLARSONALLEN LLP

General

CliftonLarsonAllen LLP has served as the Corporation's independent public accounting firm since 2014. On February 21, 2019, the Corporation's Audit Committee appointed CliftonLarsonAllen as the Corporation's independent accounting firm for the fiscal year ending December 31, 2019.

Although we are not required to do so, we are asking our stockholders to ratify the appointment of CliftonLarsonAllen as our independent public accounting firm for the year ending December 31, 2019. If the appointment of CliftonLarsonAllen is not ratified by stockholders, the Audit Committee will reconsider the matter of the appointment. A representative of CliftonLarsonAllen is expected to be present at the Annual Meeting.

Stockholder Vote Necessary to Ratify the Appointment of CliftonLarsonAllen LLP

Ratification of the appointment of CliftonLarsonAllen LLP must receive the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. Abstentions will have the same legal effect as a vote "against" this matter, while broker non-votes, because they will not be counted as entitled to vote, will not affect the voting on this matter.

Board Recommendation

The Board unanimously recommends a vote in favor of this proposal.

TRANSACTIONS WITH OFFICERS AND DIRECTORS

The Corporation has strict policies regarding review of the adequacy and fairness to the Corporation of loans to its directors and officers. The Bank, a wholly owned subsidiary of the Corporation, has had, and expects to have in the future, banking transactions in the ordinary course of its business with the Corporation's directors, officers, and their affiliates, on the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others. In the opinion of the Corporation's management, these transactions do not and will not involve more than the normal risk of collectability or present other unfavorable features.

2018 ANNUAL REPORT

The Corporation's financial report for the year ended December 31, 2018 (the "**2018 Annual Report**") will be delivered to you in a subsequent mailing in April, prior to the Annual Meeting. After the 2018 Annual Report is mailed out, stockholders may request an additional copy of the 2018 Annual Report, by making a written request to **Jerrod Hanson**, Alerus Financial Corporation, P.O. Box 6001, Grand Forks, North Dakota 58206-6001. Copies of this Proxy Statement and the 2018 Annual Report will also be available online at www.otcmarkets.com/stock/ALRS.

DIRECTOR NOMINATIONS FOR 2020 ANNUAL STOCKHOLDER MEETING

Nominations for election of directors may be made by the Board or by any holder of any outstanding class of capital stock of the Corporation entitled to vote for the election of directors. Notice of intention to make a nomination for any individual not currently a director or officer of the Corporation must be made in writing and must be delivered or mailed to the President of the Corporation not less than 60 days nor more than 120 days prior to any meeting of stockholders called for the election of directors; provided, however, that the notification requirements described in this and the following sentence shall not apply if any individual has been recommended to serve as a director by a majority vote of the Board. If required, such notification shall contain the following information to the extent known to the notifying stockholder: (1) the name and address of each proposed director-nominee; (2) the principal occupation of each proposed director-nominee; (3) the number of shares and capital stock of the Corporation owned by each proposed director-nominee; (4) the name and residence address of the notifying stockholder; (5) the number of shares of capital stock of the Corporation owned by the notifying stockholder; and (6) the consent in writing of the proposed director-nominee as to the proposed director-nominee's name being placed in nomination for director. Nominations not made in accordance with these requirements may, in the discretion of the chairman of the meeting, be disregarded and upon the chairman's instructions, the inspectors of election can disregard all votes cast for each such director-nominee.

Based on the anticipated date for the 2020 annual meeting of stockholders, in accordance with the above provisions, nominations to be considered at such meeting should be made after January 4, 2020 and before March 4, 2020.

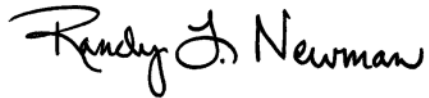
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OTHER BUSINESS

Management of the Corporation does not know of any other business to be presented at the Annual Meeting. If other matters should properly come before the Annual Meeting, a vote may be cast pursuant to the accompanying proxy card in accordance with the recommendation of the Board, or in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

By Order of the Board of Directors

Alerus Financial Corporation

A handwritten signature in black ink that reads "Randy L. Newman". The signature is written in a cursive style with a large, stylized initial "R".

Randy L. Newman
President, CEO, and Chairman
Grand Forks, North Dakota
March 18, 2019

Appendix A

Third Amended and Restated Certificate of Incorporation

(See attached)

THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
ALERUS FINANCIAL CORPORATION

(Original Certificate of Incorporation filed October 2, 1992;

First Amended and Restated Certificate of Incorporation filed May 31, 2006;

Second Amended and Restated Certificate of Incorporation filed May 15, 2014)

Alerus Financial Corporation, a corporation originally incorporated on October 2, 1992 under the name First National Corporation North Dakota and organized and existing under, and by virtue of, the General Corporation Law of the State of Delaware (the “**Corporation**”), does hereby certify that this Third Amended and Restated Certificate of Incorporation of the Corporation (the “**Certificate of Incorporation**”) set forth below has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

I

Name

The name of the Corporation is Alerus Financial Corporation.

II

Registered Office and Agent

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle and the name of its Delaware registered agent at such address shall be The Corporation Trust Company.

III

Purpose

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware.

IV

Authorized Capital

This Corporation is authorized to issue two classes of stock to be designated, respectively, “Common Stock” and “Preferred Stock.” The total number of shares which the Corporation is

authorized to issue is thirty-two million (32,000,000) shares, thirty million (30,000,000) shares of which shall be Common Stock (the “**Common Stock**”) and two million (2,000,000) shares of which shall be Preferred Stock (the “**Preferred Stock**”). The Preferred Stock shall have a par value of one dollar (\$1.00) per share and the Common Stock shall have a par value of one dollar (\$1.00) per share. The designations and the voting powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Preferred Stock and the Common Stock that are fixed by this Certificate of Incorporation and the express grant of authority to the Board of Directors to fix by resolution or resolutions the designations and the voting powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Preferred Stock that are not fixed by this Certificate of Incorporation are as follows and as elsewhere set forth herein:

1. The Preferred Stock may be issued at any time or from time to time in any amount as Preferred Stock of one or more series, as hereinafter provided. Each share of any one series of Preferred Stock shall be identical in all respects except as to the date from which dividends thereon may be cumulative, each series of Preferred Stock shall be distinctly designated by letter or descriptive words, and all series of Preferred Stock shall rank equally and be identical in all respects except as permitted by the provisions of Section 2 of this Article IV. Shares of Preferred Stock shall be issued only as fully paid and nonassessable shares.

2. Authority is hereby expressly granted to and vested in the Board of Directors at any time or from time to time, without action by or approval of the stockholders, to issue the Preferred Stock as Preferred Stock of one or more series, to fix by resolution or resolutions providing for the issuance of shares of any series the designations and the voting powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of such series so far as not inconsistent with the provisions of this Article IV applicable to all series of Preferred Stock, and to the full extent now or hereafter permitted by the laws of the State of Delaware, including the following:

(a) the distinctive designation of such series and the number of shares that shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors in creating such series) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors;

(b) the rate or rates of dividends payable on shares of such series, whether dividends shall be cumulative and, if so, the date or dates from which dividends shall be cumulative on the shares of such series, the preferences, restrictions, limitations and conditions upon the payment of dividends, and the dates on which dividends, if declared, shall be payable;

(c) whether shares of such series shall be redeemable and, if so, the terms and provisions of such redemption, including the date or dates upon or after which they shall be redeemable, the amount per share payable in case of

redemption, which amount may vary under different conditions and at different redemption dates, and the manner of selecting shares for redemption;

(d) the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, and the relative rights of priority, if any, of payment of shares of such series;

(e) whether shares of such series shall have a purchase, retirement or sinking fund for the purchase, retirement or redemption of shares of such series and, if so, the terms and provisions thereof;

(f) whether shares of such series shall have conversion privileges and, if so, the terms and provisions thereof, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(g) whether shares of such series shall have voting rights, in addition to voting rights provided by law, and, if so, the terms and provisions thereof; and

(h) any other preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof.

3. The holders of the Preferred Stock of each series shall be entitled to receive such dividends, when and as declared by the Board of Directors, out of funds legally available therefor, as they may be entitled to in accordance with the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series, payable on such dates as may be fixed in such resolution or resolutions. Subject to the foregoing and to any further limitations prescribed in accordance with the provisions of Section 2 of this Article IV, the Board of Directors may declare, out of funds legally available therefor, dividends upon the then-outstanding shares of Common Stock, and shares of Preferred Stock of any series shall not be entitled to participate therein.

4. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Preferred Stock of each series shall be entitled to receive, out of the assets of the Corporation available for distribution to its stockholders, before any distribution of assets shall be made to the holders of the Common Stock, the amount per share provided by the Board of Directors pursuant to Section 2 of this Article IV, which may include an amount equal to any cumulative dividends thereon to the date of final distribution to the holders of the Preferred Stock. If upon any liquidation, dissolution or winding up of the Corporation the assets available for distribution shall be insufficient to pay the holders of all outstanding shares of Preferred Stock the full amounts to which they respectively shall be entitled, unless otherwise provided by the Board of Directors pursuant to Section 2 of this Article IV, the holders of shares of Preferred Stock of all series shall participate ratably in any distribution of assets according to the respective amount that would be payable in respect to the shares of Preferred Stock held by them upon such distribution if all amounts payable in respect of the Preferred Stock of all series were paid in full. Except as otherwise provided by the Board of Directors pursuant to Section 2 of this Article IV, neither a statutory merger nor consolidation of the Corporation into or

with any other corporation, nor a statutory merger or consolidation of any other corporation, into or with the Corporation, nor a sale, transfer or exchange or lease of all or any part of the assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 4.

5. The Corporation, at the option of the Board of Directors, may redeem the whole or any part of the Preferred Stock of any series at the price or prices and on the terms and conditions provided in the resolution or resolutions of the Board of Directors providing for the issuance of such series.

6. Anything herein or in any resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock to the contrary notwithstanding, the rights of holders of all classes and series of capital stock of the Corporation in respect of dividends and purchase, retirement or sinking funds, if any, shall at all times be subject to the power of the Board of Directors from time to time to set aside such reserves and to make such other provisions, if any, as the Board of Directors shall deem to be necessary or advisable for working capital, for expansion of the Corporation's business (including the acquisition of real and personal property for that purpose) and for any other purpose of the Corporation.

7. Except as otherwise provided by law or by this Certificate of Incorporation or by the resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock, the vote of the holders of all or any portion of any class or series of capital stock, as a class or series, shall not be required for any action to be taken or authorized by the stockholders of the Corporation, including any amendment of this Certificate of Incorporation. Without limiting the foregoing, the number of authorized shares of Common Stock or any series thereof may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, without regard for the provisions of Section 242(b) of the General Corporation Law of the State of Delaware. Except as otherwise provided by law or by this Certificate of Incorporation, each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock held by such holder.

8. Except as otherwise provided by law or by this Certificate of Incorporation or by the resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock or by the instrument governing the security, obligation, warrant, option or right, no holder of shares of any class or series of capital stock of the Corporation or of any security or obligation convertible into, or of any warrant, option or right to subscribe for, purchase or otherwise acquire, shares of any class or series of capital stock of the Corporation, whether now or hereafter authorized, shall, as such holder, have any preemptive right to subscribe for, purchase or otherwise acquire shares of any class or series of capital stock of the Corporation or any security or obligation convertible into, or any warrant, option or right to subscribe for, purchase or otherwise acquire, shares of any class or series of capital stock of the Corporation, whether now or hereafter authorized.

9. Authority is hereby expressly granted to and vested in the Board of Directors at any time and from time to time, without action by or approval of the stockholders, to declare, create and issue, with respect to shares of any class or series of capital stock of the Corporation, dividends or distributions in, or options or rights to acquire, shares of any class or series of capital stock of the Corporation, or other securities, and to fix by resolution or resolutions providing for the declaration, creation and issuance of any such dividend, distribution, option or right the terms, provisions, rights, qualifications, limitations or restrictions thereof so far as not inconsistent with the provisions of this Article IV, and to the full extent now or hereafter permitted by the laws of the State of Delaware, including (a) provisions for the adjustment thereof upon an acquisition of shares, reorganization, merger, consolidation, sale of assets, business combination or other event, and (b) provisions that prevent the holder of a specified percentage of outstanding shares of any class or series of capital stock of the Corporation, including transferees of such holder, from exercising rights thereunder.

V

Management of the Corporation

The following provisions shall govern the management of the business and the conduct of the affairs of the Corporation and shall define, limit and regulate the rights and powers of the Corporation and of the Board of Directors and stockholders:

1. **Number of Directors.** The board of directors of the Corporation shall consist of a maximum of twelve (12) persons and a minimum of five (5) persons.
2. **Election of Directors by Written Ballot.** Elections of directors need not be by written ballot unless the Bylaws of the Corporation so provide.
3. **Removal of Directors.** A director of the Corporation may be removed during his or her term of office, with or without cause, by the affirmative vote of a majority of the outstanding shares of stock of the Corporation then entitled to vote at an election of directors.
4. **Director Liability.** A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by the director as a director; *provided, however*, that this Section 4 shall not eliminate or limit the liability of a director to the extent provided by applicable law (a) for any breach of the duty of loyalty of the director to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) for any unlawful action under Section 174 of the General Corporation Law of the State of Delaware, or (d) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Section 4 shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of the director occurring prior to such amendment or repeal. If the laws of the State of Delaware are hereafter changed to permit further elimination or limitation of the liability of directors, then the liability of each director of

the Corporation shall thereupon be eliminated or limited to the fullest extent then permitted by law.

5. **Amendment of Bylaws.** The Board of Directors shall have the power to adopt, alter, amend or repeal the Bylaws of the Corporation. The Board of Directors may so adopt or change the Bylaws upon the affirmative vote of the number of directors which shall constitute, under the provisions of the Bylaws, the action of the Board of Directors.

6. **Votes Required to Approve Hostile Acquisition.** In the event that more than twenty-five percent (25%) of the Board of Directors of the Corporation recommends against a Corporation stockholder vote in favor of (1) a merger or consolidation of the Corporation with, or (2) a sale, exchange or lease of all or substantially all of the assets of the Corporation to, any person or entity, then the affirmative vote of the holders of not less than seventy-five (75%) of the outstanding voting stock of the Corporation will be required to approve such transaction. For purposes of this provision, substantially all of the assets shall mean assets having a fair market value or book value, whichever is greater, twenty-five percent (25%) or more of the total assets as reflected on a balance sheet of the Corporation as of a date not earlier than 45 days prior to any acquisition of such assets.

VI

Forum for Adjudication of Disputes

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for: (a) any derivative action or proceeding brought on behalf of the Corporation; (b) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders; (c) any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or the Bylaws of the Corporation; or (d) any action asserting a claim governed by the internal affairs doctrine, in each case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article VI.

VII

Indemnification

Each person who is or was a director or officer of the Corporation shall be indemnified by the Corporation in accordance with, and to the fullest extent permitted by, the General Corporation Law of the State of Delaware, subject to the limits of applicable federal banking laws and regulations.

Each person who is or was an employee or agent of the Corporation or who serves or served at the request of the Corporation as a director, officer, employee or agent of another corporation, bank, partnership, joint venture, trust or other enterprise may be indemnified by the Corporation

in accordance with, and to the fullest extent permitted by, the General Corporation Law of the State of Delaware, subject to the limits of applicable federal banking laws and regulations.

No amendment to or repeal of this Article VII shall apply to or have any effect on the rights of any individual referred to in this Article VII for or with respect to acts or omissions of such individual occurring prior to such amendment or repeal.

VIII

Amendment of Certificate of Incorporation

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute or any other provision of this Certificate of Incorporation, and any rights conferred upon a stockholder herein are granted subject to this reservation.

* * * *

IN WITNESS WHEREOF, Alerus Financial Corporation has caused this Third Amended and Restated Certificate of Incorporation to be signed by its President and Chief Executive Officer this ____ day of _____, 2019.

Alerus Financial Corporation

By: _____
Randy L. Newman

Appendix B

Alerus Financial Corporation 2019 Equity Incentive Plan

(See attached)

ALERUS FINANCIAL CORPORATION
2019 EQUITY INCENTIVE PLAN

Article 1
INTRODUCTION

Section 1.1 **Purpose, Effective Date and Term.** The purpose of this **Alerus Financial Corporation 2019 Equity Incentive Plan** is to promote the long-term financial success of Alerus Financial Corporation and its Subsidiaries by providing a means to attract, retain and reward individuals who can and do contribute to such success, and to further align their interests with those of the Shareholders. The “**Effective Date**” of the Plan is May 6, 2019, the date of the approval of the Plan by the Shareholders. The Plan shall remain in effect as long as any Awards are outstanding; *provided, however*, that no Awards may be granted after the 10-year anniversary of the Effective Date.

Section 1.2 **Participation.** Each employee and director of, and service provider (with respect to which issuances of securities may be registered under Form S-8) to, the Company and each Subsidiary who is granted, and currently holds, an Award in accordance with the provisions of the Plan shall be a “**Participant**” in the Plan. Award recipients shall be limited to employees and directors of, and service providers (with respect to which issuances of securities may be registered under Form S-8) to, the Company and its Subsidiaries; *provided, however*, that an Award (other than an ISO) may be granted to an individual prior to the date on which he or she first performs services as an employee, director or service provider, *provided* that such Award does not become vested prior to the date such individual commences such services.

Section 1.3 **Definitions.** Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of **Article 8**).

Article 2
AWARDS

Section 2.1 **General.** Any Award may be granted singularly, in combination with another Award (or Awards), or in tandem whereby the exercise or vesting of one Award held by a Participant cancels another Award held by the Participant. Each Award shall be subject to the provisions of the Plan and such additional provisions as the Committee may provide with respect to such Award and as may be evidenced in the Award Agreement. Subject to the provisions of **Section 3.4(b)**, an Award may be granted as an alternative to or replacement of an existing award under the Plan, any other plan of the Company or a Subsidiary, or as the form of payment for grants or rights earned or due under any other compensation plan or arrangement of the Company or a Subsidiary, including the plan of any entity acquired by the Company or a Subsidiary. The types of Awards that may be granted include the following:

(a) *Stock Options.* A stock option represents the right to purchase Shares at an exercise price established by the Committee. Any stock option may be either an ISO or a nonqualified stock option that is not intended to be an ISO. No ISOs may be (i) granted after the 10-year anniversary of the Effective Date or (ii) granted to a non-employee. To the extent the aggregate Fair Market Value (determined at the time of grant) of Shares with respect to which ISOs are exercisable for the first time by any Participant during any calendar year under all plans of the Company and its Subsidiaries exceeds \$100,000, the stock options or portions thereof that exceed such limit shall be treated as nonqualified stock options. Unless otherwise specifically provided by the Award Agreement, any stock option granted under the Plan shall be a nonqualified stock option. All or a portion of any ISO granted under

the Plan that does not qualify as an ISO for any reason shall be deemed to be a nonqualified stock option. In addition, any ISO granted under the Plan may be unilaterally modified by the Committee to disqualify such stock option from ISO treatment such that it shall become a nonqualified stock option.

(b) *Stock Appreciation Rights.* A stock appreciation right (a “SAR”) is a right to receive, in cash, Shares or a combination of both (as shall be reflected in the respective Award Agreement), an amount equal to or based upon the excess of (i) the Fair Market Value at the time of exercise of the SAR over (ii) an exercise price established by the Committee.

(c) *Stock Awards.* A stock award is a grant of Shares or a right to receive Shares (or their cash equivalent or a combination of both, as shall be reflected in the respective Award Agreement) in the future, excluding Awards designated as stock options, SARs or cash incentive awards by the Committee. Such Awards may include bonus shares, stock units, performance shares, performance units, restricted stock, restricted stock units or any other equity-based Award as determined by the Committee.

(d) *Cash Incentive Awards.* A cash incentive award is the grant of a right to receive a payment of cash (or Shares having a value equivalent to the cash otherwise payable, excluding Awards designated as stock options, SARs or stock awards by the Committee, all as shall be reflected in the respective Award Agreement) determined on an individual basis or as an allocation of an incentive pool that is contingent on the achievement of performance objectives established by the Committee.

Section 2.2 **Exercise of Stock Options and SARs.** A stock option or SAR shall be exercisable in accordance with such provisions as may be established by the Committee; *provided, however,* that a stock option or SAR shall expire no later than 10 years after its grant date (five years in the case of an ISO granted to a 10% Shareholder). The exercise price of each stock option and SAR shall be not less than 100% of the Fair Market Value on the grant date (or, if greater, the par value of a Share); *provided, however,* that the exercise price of an ISO shall not be less than 110% of Fair Market Value on the grant date in the case of a 10% Shareholder; and *provided, further,* that, to the extent permitted under Code Section 409A, and subject to **Section 3.4(b)**, the exercise price may be higher or lower in the case of stock options and SARs granted in replacement of existing awards held by an employee, director or service provider granted by an acquired entity. The payment of the exercise price of a stock option shall be by cash or, subject to limitations imposed by applicable law, by any of the following means unless otherwise determined by the Committee from time to time: (a) by tendering, either actually or by attestation, Shares acceptable to the Committee and valued at Fair Market Value as of the day of exercise; (b) by irrevocably authorizing a third party, acceptable to the Committee, to sell Shares acquired upon exercise of the stock option and to remit to the Company no later than the third business day following exercise of a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise; (c) by payment through a net exercise such that, without the payment of any funds, the Participant may exercise the option and receive the net number of Shares equal in value to (i) the number of Shares as to which the option is being exercised, multiplied by (ii) a fraction, the numerator of which is the Fair Market Value (on the date of exercise) less the exercise price, and the denominator of which is such Fair Market Value (the number of net Shares to be received shall be rounded down to the nearest whole number of Shares); (d) by personal, certified or cashiers’ check; (e) by other property deemed acceptable by the Committee or (f) by any combination thereof.

Section 2.3 **Minimum Vesting Period.** If the right to become vested in an Award granted to an employee Participant is conditioned on the completion of a specified period of service with the Company or its Subsidiaries, without achievement of performance measures or other performance objectives (whether or not related to the performance measures) being required as a condition of vesting,

and without it being granted in lieu of, or in exchange for, other compensation, or other Awards, then the required period of service for full vesting shall not be less than one year (subject to acceleration of vesting, to the extent permitted by the Committee, as provided herein); *provided, however*, that the required period of service for full vesting with respect to stock awards shall not apply to Awards granted to Director Participants provided that the aggregate of such director grants do not exceed 5% of the total Share reserve set forth in **Section 3.2(a)**.

Section 2.4 Dividends and Dividend Equivalents. Any Award may provide the Participant with the right to receive dividend payments or dividend equivalent payments with respect to Shares subject to the Award; *provided, however*, any dividend payments or dividend equivalent payments with respect to the Award shall be withheld by the Company for the Participant's account, and interest may be credited on the amount of the dividend payments or dividend equivalent payments withheld at a rate and subject to such terms as determined by the Committee. The dividend payments or dividend equivalent payments so withheld by the Committee and attributable to any particular Award (and earnings thereon, if applicable) shall be distributed to the Participant in cash or, at the discretion of the Committee, in Shares having a Fair Market Value equal to the amount of such dividends, if applicable, upon the release of restrictions on such Award and, if such Award is forfeited, the Participant shall have no right to such dividend payments or dividend equivalent payments.

Section 2.5 Forfeiture of Awards. Unless specifically provided to the contrary in an Award Agreement, upon notification of Termination of Service for Cause, any outstanding Award, whether vested or unvested, held by a Participant shall terminate immediately, such Award shall be forfeited and the Participant shall have no further rights thereunder.

Section 2.6 Deferred Compensation. The Plan is, and all Awards are, intended to be exempt from (or, in the alternative, to comply with) Code Section 409A, and each shall be construed, interpreted and administered accordingly. The Company does not guarantee that any benefits that may be provided under the Plan will satisfy all applicable provisions of Code Section 409A. If any Award would be considered "deferred compensation" under Code Section 409A ("**Deferred Compensation**"), the Committee reserves the absolute right (including the right to delegate such right) to unilaterally amend the Plan or the applicable Award Agreement, without the consent of the Participant, to avoid the application of, or to maintain compliance with, Code Section 409A. Any amendment by the Committee to the Plan or an Award Agreement pursuant to this **Section 2.6** shall maintain, to the extent practicable, the original intent of the applicable provision without violating Code Section 409A. A Participant's acceptance of any Award shall be deemed to constitute the Participant's acknowledgment of, and consent to, the rights of the Committee under this **Section 2.6**, without further consideration or action. Any discretionary authority retained by the Committee pursuant to the terms of the Plan or pursuant to an Award Agreement shall not be applicable to an Award that is determined to constitute Deferred Compensation, if such discretionary authority would contravene Code Section 409A.

Article 3 **SHARES SUBJECT TO PLAN**

Section 3.1 Available Shares. The Shares with respect to which Awards may be granted shall be Shares currently authorized but unissued, currently held or, to the extent permitted by applicable law, subsequently acquired by the Company, including Shares purchased in the open market or in private transactions.

Section 3.2 Share Limitations.

(a) *Share Reserve.* Subject to the following provisions of this **Section 3.2**, the maximum number of Shares that may be delivered under the Plan shall be 1,100,000 Shares (all of which may be granted as ISOs). As of the Effective Date, no further awards shall be granted pursuant to the Predecessor Plan. The maximum number of Shares available for delivery under the Plan and the number of Shares subject to outstanding Awards shall be subject to adjustment as provided in **Section 3.4**.

(b) *Reuse of Shares.* Any Shares subject to an Award that is canceled, forfeited or expires prior to exercise or realization, either in full or in part, shall again become available for issuance under the Plan. Notwithstanding anything to the contrary contained herein: shares subject to an Award under the Plan shall not again be made available for issuance or delivery under the Plan if such shares are (a) shares tendered in payment of a stock option, (b) shares delivered or withheld by the Company to satisfy any tax withholding obligation, or (c) shares covered by a stock-settled SAR or other Awards that were not issued upon the settlement of the Award.

Section 3.3 Limitations on Grants to Director Participants. The following limitations shall apply with respect to any Award to a Director Participant:

(a) *Share-Based Awards.* The maximum number of Shares subject to Awards granted during a single calendar year to any Director Participant, shall not exceed a total value of \$150,000. For purposes of this **Section 3.3**, the value of any Share based Awards shall be determined based on the grant date fair value of such Awards computed in accordance with FASB ASC Topic 718 (or any successor provision in accordance with GAAP).

(b) *Cash Incentive Awards and Share-Based Awards Settled in Cash.* The maximum dollar amount that may be payable to any one Director Participant pursuant to cash incentive awards and cash-settled Share-based Awards that are granted to any one Director Participant during any calendar year shall be \$150,000.

(c) *Director Election.* The foregoing limitations shall not apply to cash-based Director fees that the Director elects to receive in the form of Shares or Share-based units equal in value to the cash-based Director fees.

Section 3.4 Corporate Transactions; No Repricing.

(a) *Adjustments.* To the extent permitted under Code Section 409A, to the extent applicable, in the event of a corporate transaction involving the Company or the Shares (including any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), all outstanding Awards, the number of Shares available for delivery under the Plan under **Section 3.2** shall be adjusted automatically to proportionately and uniformly reflect such transaction; *provided, however*, that, subject to **Section 3.4(b)**, the Committee may otherwise adjust Awards (or prevent such automatic adjustment) as it deems necessary, in its sole discretion, to preserve the benefits or potential benefits of the Awards and the Plan. Action by the Committee under this **Section 3.4(a)** may include: (i) adjustment of the number and kind of shares that may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding stock options and SARs; and (iv) any other adjustments that the Committee determines to be equitable (which may include (A) replacement of an Award with another award that the Committee determines has

comparable value and that is based on stock of a company resulting from a corporate transaction, and (B) cancellation of an Award in return for cash payment of the current value of the Award, determined as though the Award were fully vested at the time of payment, *provided* that in the case of a stock option or SAR, the amount of such payment shall be the excess of the value of the stock subject to the option or SAR at the time of the transaction over the exercise price, and *provided, further*, that no such payment shall be required in consideration for the cancellation of the Award if the exercise price is greater than the value of the stock at the time of such corporate transaction).

(b) *No Repricing*. Notwithstanding any provision of the Plan to the contrary, no adjustment or reduction of the exercise price of any outstanding stock option or SAR in the event of a decline in Stock price shall be permitted without approval by the Shareholders or as otherwise expressly provided under **Section 3.4(a)**. The foregoing prohibition includes (i) reducing the exercise price of outstanding stock options or SARs, (ii) cancelling outstanding stock options or SARs in connection with the granting of stock options or SARs with a lower exercise price to the same individual, (iii) cancelling stock options or SARs with an exercise price in excess of the current Fair Market Value in exchange for a cash or other payment, and (iv) taking any other action that would be treated as a repricing of a stock option or SAR under the rules of the primary securities exchange or similar entity on which the Shares are listed.

Section 3.5 Delivery of Shares. Delivery of Shares or other amounts under the Plan shall be subject to the following:

(a) *Compliance with Applicable Laws*. Notwithstanding any provision of the Plan to the contrary, the Company shall have no obligation to deliver any Shares or make any other distribution of benefits under the Plan unless such delivery or distribution complies with all applicable laws and the applicable requirements of any securities exchange or similar entity.

(b) *No Certificates Required*. To the extent that the Plan provides for the delivery of Shares, the delivery may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

Article 4 **CHANGE IN CONTROL**

Section 4.1 Consequence of a Change in Control. Subject to the provisions of **Section 3.4** (relating to the adjustment of shares), and except as otherwise provided in the Plan or in any Award Agreement, at the time of a Change in Control:

(a) Subject to any forfeiture and expiration provisions otherwise applicable to the respective Awards, all stock options and SARs under the Plan then held by the Participant shall become fully exercisable immediately if, and all stock awards and cash incentive awards under the Plan then held by the Participant shall become fully earned and vested immediately if, (i) the Plan and the respective Award Agreements are not the obligations of the entity, whether the Company, a successor thereto or an assignee thereof, that conducts following a Change in Control substantially all of the business conducted by the Company and its Subsidiaries immediately prior to such Change in Control or (ii) the Plan and the respective Award Agreements are the obligations of the entity, whether the Company, a successor thereto or an assignee thereof, that conducts following a Change in Control substantially all of the business conducted by the Company and its Subsidiaries immediately prior to such Change in Control and the Participant incurs a Termination of Service without Cause or by the Participant for Good Reason following such Change in Control.

(b) Notwithstanding the foregoing provisions of this **Section 4.1**, if the vesting of an outstanding Award is conditioned upon the achievement of performance measures, then such vesting shall be subject to the following:

(i) If, at the time of the Change in Control, the established performance measures are less than 50% attained (as determined in the sole discretion of the Committee, but in any event, based pro rata in accordance with time lapsed through the date of the Change in Control in the event of any period-based performance measures with respect to determining attainment of the performance metrics), then such Award shall become vested and exercisable on a fractional basis with the numerator being equal to the percentage of attainment and the denominator being 50% upon the Change in Control.

(ii) If, at the time of the Change in Control, the established performance measures are at least 50% attained (as determined in the sole discretion of the Committee, but in any event based pro rata in accordance with time lapsed through the date of the Change in Control in the event of any period-based performance measures with respect to determining attainment of the performance metrics), then such Award shall become fully earned and vested immediately upon the Change in Control.

Section 4.2 Definition of Change in Control.

(a) For purposes of the Plan, “**Change in Control**” means the first to occur of the following:

(i) The consummation of the acquisition by any “person” (as such term is defined in Section 13(d) or 14(d) of the Exchange Act) of “beneficial ownership” (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the combined voting power of the then outstanding Voting Securities of the Company;

(ii) During any 12-month period, the individuals who, as of the Effective Date, are members of the Board cease for any reason to constitute a majority of the Board, unless either the election of, or the nomination for election by, the Shareholders of any new director was approved by a vote of a majority of the Board, in which case such new director shall for purposes of the Plan be considered as a member of the Board; or

(iii) The consummation by the Company of (i) a merger, consolidation or other similar transaction if the Shareholders immediately before such merger, consolidation or other similar transaction do not, as a result of such merger, consolidation or other similar transaction, own, directly or indirectly, more than 50% of the combined voting power of the then outstanding Voting Securities of the entity resulting from such merger or consolidation in substantially the same proportion as their ownership of the combined voting power of the Voting Securities of the Company outstanding immediately before such merger or consolidation or (ii) a complete liquidation or dissolution of, or an agreement for the sale or other disposition of, all or substantially all of the assets of the Company.

(b) Notwithstanding any provision in the foregoing definition of Change in Control to the contrary, a Change in Control shall not be deemed to occur solely because 50% or more of the combined voting power of the then outstanding securities of the Company are acquired by (i) a trustee or other fiduciary holding securities under one or more employee benefit plans maintained for employees of the entity or (ii) any corporation that, immediately prior to such acquisition, is owned directly or indirectly by the Shareholders in the same proportion as their ownership of Stock immediately prior to such acquisition.

(c) Further notwithstanding any provision in the foregoing definition of Change in Control to the contrary, in the event that any Award constitutes Deferred Compensation, and the settlement of, or distribution of benefits under such Award is to be triggered by a Change in Control, then such settlement or distribution shall be subject to the event constituting the Change in Control also constituting a “change in control event” under Code Section 409A.

Article 5 **COMMITTEE**

Section 5.1 Administration. The authority to control and manage the operation and administration of the Plan shall be vested in the Committee in accordance with this **Article 5**. The Committee shall be selected by the Board, *provided* that the Committee shall consist of two or more members of the Board, each of whom is a “non-employee director” (within the meaning of Rule 16b-3 promulgated under the Exchange Act) and an “independent director” (within the meaning of the rules of the securities exchange which then constitutes the principal listing for the Stock), in each case to the extent required by the Exchange Act or the applicable rules of the securities exchange which then constitutes the principal listing for the Stock, respectively. Subject to the applicable rules of any securities exchange or similar entity, if the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

Section 5.2 Powers of Committee. The Committee’s administration of the Plan shall be subject to the other provisions of the Plan and the following:

(a) The Committee shall have the authority and discretion to select from among the Company’s and each Subsidiary’s’ employees, directors and service providers those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of Shares covered by the Awards, to establish the terms of Awards, to cancel or suspend Awards and to reduce or eliminate any restrictions or vesting requirements applicable to an Award at any time after the grant of the Award.

(b) The Committee shall have the authority and discretion to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) The Committee shall have the authority to define terms not otherwise defined in the Plan.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan shall be final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the articles and bylaws of the Company and to all applicable law.

Section 5.3 Delegation by Committee. Except to the extent prohibited by applicable law, the applicable rules of any securities exchange or similar entity, the Plan, the charter of the Committee, or as necessary to comply with the exemptive provisions of Rule 16b-3 of the Exchange Act, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers under the Plan to any person or persons

selected by it. The acts of such delegates shall be treated under the Plan as acts of the Committee and such delegates shall report regularly to the Committee regarding the delegated duties and responsibilities and any Awards granted. Any such allocation or delegation may be revoked by the Committee at any time.

Section 5.4 Information to be Furnished to Committee. As may be permitted by applicable law, the Company and each Subsidiary shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties under the Plan. The records of the Company and each Subsidiary as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive with respect to all persons unless determined by the Committee to be manifestly incorrect. Subject to applicable law, Participants and other persons entitled to benefits under the Plan shall furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

Section 5.5 Expenses and Liabilities. All expenses and liabilities incurred by the Committee in the administration and interpretation of the Plan or any Award Agreement shall be borne by the Company. The Committee may employ attorneys, consultants, accountants or other persons in connection with the administration and interpretation of the Plan, and the Company, and its officers and directors, shall be entitled to rely upon the advice, opinions and valuations of any such persons.

Article 6 **AMENDMENT AND TERMINATION**

Section 6.1 General. The Board may, as permitted by law, at any time, amend or terminate the Plan, and may amend any Award Agreement; *provided, however*, that no amendment or termination may (except as provided in **Section 2.6**, **Section 3.4** and **Section 6.2**), in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), impair the rights of any Participant or beneficiary under any Award granted prior to the date such amendment or termination is adopted by the Board; and *provided, further*, that, no amendment may (a) materially increase the benefits accruing to Participants under the Plan; (b) materially increase the aggregate number of securities that may be delivered under the Plan, other than pursuant to **Section 3.4**, or (c) materially modify the requirements for participation in the Plan, unless the amendment under (a), (b) or (c) immediately above is approved by the Shareholders.

Section 6.2 Amendment to Conform to Law. Notwithstanding any provision of the Plan or an Award Agreement to the contrary, the Committee may amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or the Award Agreement to any applicable law. By accepting an Award, the Participant shall be deemed to have acknowledged and consented to any amendment to an Award made pursuant to this **Section 6.2**, **Section 2.6** or **Section 3.4** without further consideration or action.

Article 7 **GENERAL TERMS**

Section 7.1 No Implied Rights.

(a) *No Rights to Specific Assets.* No person shall by reason of participation in the Plan acquire any right in or title to any assets, funds or property of the Company or any Subsidiary, including any specific funds, assets, or other property that the Company or a Subsidiary, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Shares or amounts, if any, distributable in accordance with the provisions of the

Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan or an Award Agreement shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to provide any benefits to any person.

(b) *No Contractual Right to Employment or Future Awards.* The Plan does not constitute a contract of employment, and selection as a Participant shall not give any person the right to be retained in the service of the Company or a Subsidiary or any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the Plan. No individual shall have the right to be selected to receive an Award, or, having been so selected, to receive a future Award.

(c) *No Rights as a Shareholder.* Except as otherwise provided in the Plan, no Award shall confer upon the holder thereof any rights as a Shareholder prior to the date on which the individual fulfills all conditions for receipt of such rights.

Section 7.2 **Transferability.** Except as otherwise provided by the Committee, Awards are not transferable except as designated by the Participant by will or by the laws of descent and distribution or pursuant to a domestic relations order. The Committee shall have the discretion to permit the transfer of Awards; *provided, however*, that such transfers shall be limited to immediate family members of Participants, trusts, partnerships, limited liability companies and other entities that are permitted to exercise rights under Awards in accordance with Form S-8 established for the primary benefit of such family members or to charitable organizations; and *provided, further*, that such transfers shall not be made for value to the Participant.

Section 7.3 **Designation of Beneficiaries.** A Participant hereunder may file with the Company a designation of a beneficiary or beneficiaries under the Plan and may from time to time revoke or amend any such designation. Any designation of beneficiary under the Plan shall be controlling over any other disposition, testamentary or otherwise; *provided, however*, that if the Committee is in doubt as to the entitlement of any such beneficiary to any Award, the Committee may determine to recognize only the legal representative of the Participant in which case the Company, the Committee and the members thereof shall not have any further liability to anyone.

Section 7.4 **Non-Exclusivity.** Neither the adoption of the Plan by the Board nor the submission of the Plan to the Shareholders for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable.

Section 7.5 **Award Agreement.** Each Award shall be evidenced by an Award Agreement. A copy of the Award Agreement, in any medium chosen by the Committee, shall be made available to the Participant, and the Committee may require that the Participant sign a copy of the Award Agreement.

Section 7.6 **Form and Time of Elections.** Unless otherwise specified in the Plan, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be filed with the Company at such times, in such form, and subject to such terms or conditions, not inconsistent with the provisions of the Plan, as the Committee may require.

Section 7.7 **Evidence.** Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information that the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

Section 7.8 Tax Withholding. All distributions under the Plan shall be subject to withholding of all applicable taxes and the Committee may condition the delivery of any Shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. Except as otherwise provided by the Committee, such withholding obligations may be satisfied (a) through cash payment by the Participant; (b) through the surrender of Shares that the Participant already owns or (c) through the surrender of Shares to which the Participant is otherwise entitled under the Plan; *provided, however*, that except as otherwise specifically provided by the Committee, such Shares under clause (c) may not be used to satisfy more than the maximum individual statutory tax rate for each applicable tax jurisdiction, or such lesser amount as established by the Company.

Section 7.9 Successors. All obligations of the Company under the Plan shall be binding upon and inure to the benefit of any successor to the Company.

Section 7.10 Indemnification. To the fullest extent permitted by law, each person who is or shall have been a member of the Committee or the Board, or an officer of the Company to whom authority was delegated in accordance with **Section 5.3**, or an employee of the Company shall be indemnified and held harmless by the Company against and from any loss (including amounts paid in settlement), cost, liability or expense (including reasonable attorneys' fees) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her (*provided* that he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf), unless such loss, cost, liability or expense is a result of his or her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's charter or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Section 7.11 No Fractional Shares. Unless otherwise permitted by the Committee, no fractional Shares shall be delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Shares or other property shall be delivered or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

Section 7.12 Governing Law. The Plan, all Awards, and all actions taken in connection herewith and therewith shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws, except as superseded by applicable federal law.

Section 7.13 Benefits Under Other Plans. Except as otherwise provided by the Committee, Awards granted to a Participant (including the grant and the receipt of benefits) shall be disregarded for purposes of determining the Participant's benefits under, or contributions to, any qualified retirement plan, nonqualified plan and any other benefit plan maintained by the Participant's employer.

Section 7.14 Validity. If any provision of the Plan is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal or invalid provision had never been included in the Plan.

Section 7.15 Notice. Unless provided otherwise in an Award Agreement or policy adopted from time to time by the Committee, all communications to the Company provided for in the Plan, or any Award Agreement, shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid (*provided* that international mail shall be sent via overnight or two-day delivery), or sent by facsimile or prepaid overnight courier to the Company at the address set forth below:

Alerus Financial Corporation
Attn: General Counsel
401 Demers Avenue
Grand Forks, ND 58201

Such communications shall be deemed given:

(a) In the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or

(b) In the case of certified or registered U.S. mail, five days after deposit in the U.S. mail;

provided, however, that in no event shall any communication be deemed to be given later than the date it is actually received, *provided* it is actually received. In the event a communication is not received, it shall be deemed received only upon the showing of an original of the applicable receipt, registration or confirmation from the applicable delivery service provider. Communications that are to be delivered by U.S. mail or by overnight service to the Company shall be directed to the attention of the Company's General Counsel.

Section 7.16 Clawback Policy. Any Award, amount or benefit received under the Plan shall be subject to potential cancellation, recoupment, rescission, payback or other similar action in accordance with any applicable Company clawback policy (the "**Policy**") or any applicable law. A Participant's receipt of an Award shall be deemed to constitute the Participant's acknowledgment of and consent to the Company's application, implementation and enforcement of (i) the Policy and any similar policy established by the Company that may apply to the Participant, whether adopted prior to or following the making of any Award and (ii) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, as well as the Participant's express agreement that the Company may take such actions as are necessary to effectuate the Policy, any similar policy and applicable law, without further consideration or action.

Section 7.17 Breach of Restrictive Covenants. Except as otherwise provided by the Committee, notwithstanding any provision of the Plan to the contrary, if the Participant breaches a non-competition, non-solicitation, non-disclosure, non-disparagement or other restrictive covenant set forth in an Award Agreement or any other agreement between the Participant and the Company or a Subsidiary, whether during or after the Participant's Termination of Service, in addition to and not in limitation of any other rights, remedies, damages, penalties or restrictions available to the Company under the Plan, an Award Agreement, any other agreement between the Participant and the Company or a Subsidiary, or otherwise at law or in equity, the Participant shall forfeit or pay to the Company:

(a) Any and all outstanding Awards granted to the Participant, including Awards that have become vested or exercisable;

(b) Any Shares held by the Participant in connection with the Plan that were acquired by the Participant after the Participant's Termination of Service and within the 12-month period immediately preceding the Participant's Termination of Service;

(c) The profit realized by the Participant from the exercise of any stock options and SARs that the Participant exercised after the Participant's Termination of Service and within the 12-month period immediately preceding the Participant's Termination of Service, which profit is the difference between the exercise price of the stock option or SAR and the Fair Market Value of any Shares or cash acquired by the Participant upon exercise of such stock option or SAR; and

(d) The profit realized by the Participant from the sale, or other disposition for consideration, of any Shares received by the Participant in connection with the Plan after the Participant's Termination of Service and within the 12-month period immediately preceding the Participant's Termination of Service and where such sale or disposition occurs in such similar time period.

Article 8

DEFINED TERMS; CONSTRUCTION

Section 8.1 **Definitions.** In addition to the other definitions contained in the Plan, unless otherwise specifically provided in an Award Agreement, the following definitions shall apply:

(a) “**10% Shareholder**” means an individual who, at the time of grant, owns Voting Securities possessing more than 10% of the total combined voting power of the Voting Securities.

(b) “**Award**” means an award under the Plan.

(c) “**Award Agreement**” means the document that evidences the terms and conditions of an Award. Such document shall be referred to as an agreement regardless of whether a Participant’s signature is required. Each Award Agreement shall be subject to the terms and conditions of the Plan, and, if there is any conflict between the Award Agreement and the Plan, the Plan shall control.

(d) “**Board**” means the Board of Directors of the Company.

(e) If the Participant is subject to an employment agreement (or other similar agreement) with the Company or a Subsidiary that provides a definition of termination for “cause” (or the like), then, for purposes of the Plan, the term “**Cause**” has the meaning set forth in such agreement; and in the absence of such a definition, “**Cause**” means (i) any act of (A) fraud or intentional misrepresentation or (B) embezzlement, misappropriation or conversion of assets or opportunities of the Company or a Subsidiary, (ii) willful violation of any law, rule or regulation in connection with the performance of the Participant's duties to the Company or a Subsidiary (other than traffic violations or similar offenses), (iii) with respect to any employee of the Company or a Subsidiary, commission of any act of moral turpitude or conviction of a felony or (iv) the willful or negligent failure of the Participant to perform the Participant’s duties to the Company or a Subsidiary in any material respect.

Further, the Participant shall be deemed to have terminated for Cause if, after the Participant’s Termination of Service, facts and circumstances arising during the course of the Participant’s employment with the Company are discovered that would have constituted a termination for Cause.

Further, all rights a Participant has or may have under the Plan shall be suspended automatically during the pendency of any investigation by the Board or its designee or during any negotiations between the Board or its designee and the Participant regarding any actual or alleged act or omission by the Participant of the type described in the applicable definition of “Cause.”

- (f) “**Change in Control**” has the meaning ascribed to it in **Section 4.2**.
- (g) “**Code**” means the Internal Revenue Code of 1986.
- (h) “**Code Section 409A**” means the provisions of Section 409A of the Code and any rules, regulations and guidance promulgated thereunder.
- (i) “**Committee**” means the Committee acting under **Article 5**, and in the event a Committee is not currently appointed, the Board.
- (j) “**Company**” means Alerus Financial Corporation, a Delaware corporation.
- (k) “**Director Participant**” means a Participant who is a member of the Board or the board of directors of a Subsidiary that is not otherwise an employee of the Company or a Subsidiary.
- (l) “**Disability**” means the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, or is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident or health plan covering the Company’s or a Subsidiary’s employees.
- (m) “**Effective Date**” has the meaning ascribed to it in **Section 1.1**.
- (n) “**Exchange Act**” means the Securities Exchange Act of 1934.
- (o) “**Fair Market Value**” means, as of any date, the officially-quoted closing selling price of the Shares on such date on the principal national securities exchange on which Shares are listed or admitted to trading or, if there have been no sales with respect to Shares on such date, or if the Shares are not so listed or admitted to trading, the Fair Market Value shall be the value established by the Committee in good faith and, to the extent required, in accordance with Code Section 409A and Section 422 of the Code.
- (p) “**Form S-8**” means a Registration Statement on Form S-8 promulgated by the U.S. Securities and Exchange Commission or any successor thereto.
- (q) If the Participant is subject to an employment agreement (or other similar agreement) with the Company or a Subsidiary that provides a definition of termination for “good reason” (or the like), then, for purposes of the Plan, the term “**Good Reason**” has the meaning set forth in such agreement; and in the absence of such a definition, “**Good Reason**” means the occurrence of any one of the following events, unless the Participant agrees in writing that such event shall not constitute Good Reason:

(i) A material, adverse change in the nature, scope or status of the Participant's position, authorities or duties from those in effect immediately prior to the applicable Change in Control;

(ii) A material reduction in the Participant's aggregate compensation or benefits in effect immediately prior to the applicable Change in Control; or

(iii) Relocation of the Participant's primary place of employment of more than 50 miles from the Participant's primary place of employment immediately prior to the applicable Change in Control, or a requirement that the Participant engage in travel that is materially greater than prior to the applicable Change in Control.

Notwithstanding any provision of this definition to the contrary, prior to the Participant's Termination of Service for Good Reason, the Participant must give the Company written notice of the existence of any condition set forth in clause (i) – (iii) immediately above within 90 days of its initial existence and the Company shall have 30 days from the date of such notice in which to cure the condition giving rise to Good Reason, if curable. If, during such 30-day period, the Company cures the condition giving rise to Good Reason, the condition shall not constitute Good Reason. Further notwithstanding any provision of this definition to the contrary, in order to constitute a termination for Good Reason, such termination must occur within 12 months of the initial existence of the applicable condition.

(r) **"ISO"** means a stock option that is intended to satisfy the requirements applicable to an "incentive stock option" described in Section 422(b) of the Code.

(s) **"Participant"** has the meaning ascribed to it in **Section 1.2**.

(t) **"Plan"** means the Alerus Financial Corporation 2019 Equity Incentive Plan.

(u) **"Policy"** has the meaning ascribed to it in **Section 7.16**.

(v) **"Predecessor Plan"** means the Alerus Financial Corporation 2009 Stock Plan.

(w) **"SAR"** has the meaning ascribed to it in **Section 2.1(b)**.

(x) **"Securities Act"** means the Securities Act of 1933.

(y) **"Share"** means a share of Stock.

(z) **"Shareholders"** means the shareholders of the Company.

(aa) **"Stock"** means the common stock of the Company, \$1.00 par value per share.

(bb) **"Subsidiary"** means any corporation or other entity that would be a "subsidiary corporation," as defined in Section 424(f) of the Code, with respect to the Company.

(cc) **"Termination of Service"** means the first day occurring on or after a grant date on which the Participant ceases to be an employee and director of, and service provider to the Company and each Subsidiary, regardless of the reason for such cessation, subject to the following:

(i) The Participant's cessation as an employee or service provider shall not be deemed to occur by reason of the transfer of the Participant between the Company and a Subsidiary or between two Subsidiaries.

(ii) The Participant's cessation as an employee or service provider shall not be deemed to occur by reason of the Participant's being on a leave of absence from the Company or a Subsidiary approved by the Company or Subsidiary otherwise receiving the Participant's services.

(iii) If, as a result of a sale or other transaction, the Subsidiary for whom the Participant is employed (or to whom the Participant is providing services) ceases to be a Subsidiary, and the Participant is not, following the transaction, an employee or director of, or service provider to, the Company or an entity that is then a Subsidiary, then the occurrence of such transaction shall be treated as the Participant's Termination of Service caused by the Participant being discharged by the entity for whom the Participant is employed or to whom the Participant is providing services.

(iv) A service provider, other than an employee or director, whose services to the Company or a Subsidiary are governed by a written agreement with such service provider shall cease to be a service provider at the time the provision of services under such written agreement ends (without renewal); and such a service provider whose services to the Company or a Subsidiary are not governed by a written agreement with the service provider shall cease to be a service provider on the date that is 90 days after the date the service provider last provides services requested by the Company or a Subsidiary.

(v) Notwithstanding the foregoing, in the event that any Award constitutes deferred compensation, the term Termination of Service shall be interpreted by the Committee in a manner consistent with the definition of "separation from service" as defined under Code Section 409A.

(dd) "Voting Securities" means any securities that ordinarily possess the power to vote in the election of directors without the happening of any precondition or contingency.